Paramount sale
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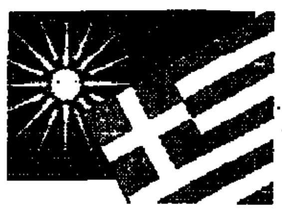

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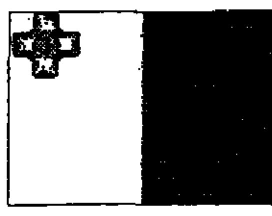

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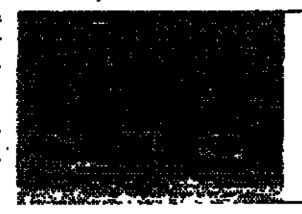

TOMORROW'S
Weekend FT
Pick up a bottle of 1822

FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY FEBRUARY 18 1994 — D8523A

IBM to axe Ambra range and focus on own-brand PCs

International Business Machines, in an unexpected move, is withdrawing its Ambra range of low cost personal computers in Europe and closing down the wholly-owned subsidiary it set up to market Ambra products. It intends to concentrate on its own brands of low cost pc.

Industry experts said the decision underlined the preference among consumers for well known brands of pc over less well known products, where there is little price difference. Page 15

Cheaper EU entry forecast: The four Nordic and Alpine countries – Austria, Sweden,Finland and Norway – now in final talks on entry to the European Union seem likely to pay much less than expected for membership. Page 14

Kerrigan and Harding meet on the ice

Rival US skaters Nancy Kerrigan and Tonya Harding met on the ice for the first time since Kerrigan (pictured in white) was hit on the knee by a man hired by Harding's ex-husband. Kerrigan and Harding (in the darker outfit) were practising at Hamar, Norway, for their forthcoming event in the Winter Olympics. Harding is under investigation for her alleged role in the attack on Kerrigan on January 6. She has denied involvement, but admitted she did not go to authorities promptly with information after learning about the plot.

Greek blockade a problem for EU: Greece's blockade of Macedonia could cause diplomatic splits within the European Union and further complicate European policy towards Bosnia, European Commission officials warned. Page 14

Flextech, fast growing media group controlled by TCI of Denver, the world's largest cable television company, is to buy a 20 per cent stake in HTV, the ITV broadcaster for Wales and the West of England for around £27m ($39m). Page 15; Barbarians at the gates of television, Page 16

UK car output falls: UK car production fell 7.7 per cent in January to 100,711 from 109,127 in the same month a year ago. Page 7

US to charge asylum fee: Attorney general Janet Reno confirmed that the US would become the first nation to charge a fee to applicants for political asylum but said the charge – $130 per head – would be waived for those who clearly could not afford it. Page 4

CS First Boston, New York-based investment bank which underwent significant management changes and a heavy structural reorganisation last year, showed yesterday that the upheavals had little impact on profitability, unveiling record annual net income of $328m for 1993. Page 17

Bayer, German chemicals group, is making a move into the fast-growing US generics drugs sector with the acquisition of a 28.3 per cent stake in Schein Pharmaceutical. Page 15

Glaxo: Growth in the US for Europe's biggest pharmaceuticals company overwhelmed troubles in European markets and took six month pre-tax profits past £1bn for the first time. Page 15; Lex, Page 14

Right dismisses ANC move: Rightwing leaders in South Africa dismissed constitutional concessions from the African National Congress as a "stunt", but appeared to leave the door open for further talks to avert a boycott of April's all-race elections. Page 14; Editorial Comment, Page 13

Chinese imports surge: Chinese imports climbed by 42.3 per cent in January compared with the same month last year, illustrating the difficulties facing the authorities in calming an economy which grew by 13 per cent last year and which shows little sign of slowing. Page 6

Warning on US trade: A Gatt report on US trade policies and practices warns that domestic pressure for bilateral action against Japan and others threatens the openness of the US trade regime and the multilateral system. Page 5

Death of ex-leader confirmed: Georgia said that a body with a gunshot wound to the head found in a shallow grave was that of ousted president Zviad Gamsakhurdia.

■ STOCK MARKET INDICES

FT-SE 100	3,425.3	(+7.6)
Yield	3.44	
FT-SE Eurotrack 100	1,516.65	(+24.85)
FT-SE-A All-Share	1,721.09	(+0.2%)
Nikkei	18,931.39	(-120.72)
New York: lunchtime		
Dow Jones Ind Ave	3,948.25	(+10.98)
S&P Composite	473.63	(+0.84)

■ US LUNCHTIME RATES

Federal Funds:	3¼%
3-mo Treas Bills: Yld	3.333%
Long Bond	97½
Yield	6.472%

■ LONDON MONEY

3-mo Interbank	5½%	(5⅞%)
Liffe long gilt future:	Mar 116⅞	(Mar115⅞)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.36	($13.31)

■ Gold

New York Comex (Apr)	$384.3	($385.3)
London	$386.0	($383.5)

■ STERLING

New York lunchtime:		
$	1.477	
London:		
$	1.474	(1.4793)
DM	2.5559	(2.5471)
FFr	8.6738	(8.6766)
SFr	2.1543	(2.1471)
Y	153.775	(153.176)
£ Index	80.6	(same)

■ DOLLAR

New York lunchtime:		
DM	1.7283	
FFr	5.8675	
SFr	1.457	
Y	104.1	
London:		
DM	1.734	(1.7219)
FFr	5.8845	(5.8655)
SFr	1.4615	(1.4515)
Y	104.325	(103.55)
$ Index	66.4	(66.3)

Tokyo close Y 103.48

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr18		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils.625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Es225	Turkey	L13000	UAE	Dh12.00

Germany cuts key lending rate

Hopes rise for easing throughout Europe

By Christopher Parkes in Frankfurt

The Bundesbank unexpectedly cut its key discount lending rate yesterday by half a percentage point to 5.25 per cent, raising hopes of more speedy reductions in future.

Resuming its cautious monetary relaxation programme after a pause of almost four months, the German central bank said it had taken into account the continuing fall in inflation which had further strengthened trust in the stability of the D-Mark.

The decision was greeted with initial enthusiasm by currency markets but the euphoria cooled as investors took the view that future rate cuts would be slow and drawn out.

The D-Mark weakened across the board, closing in London at FFr3.394 from FFr3.407 and at L968.7 against the Lira from L974.1. Sterling gained nearly a pfennig to close at DM2.5559.

Money market analysts said the move had improved the prospects for an easing of monetary policy elsewhere in Europe, but the rate of change would initially be slow. The German cuts were quickly followed by rate cuts in Belgium, Austria and Italy. The Netherlands also altered two rates and Spain may follow suit.

In a brief statement, the Bundesbank shrugged off recent explosive growth in money supply, saying its monetary policy was based on annual targets and that "temporary disturbances had to be accepted".

Its decision also appeared to discount any danger of employers offering inflationary pay awards as a way of avoiding or ending national strikes threatened in the engineering sector.

Mr Johann Wilhelm Gaddum, Bundesbank vice-president, defended the softly-softly approach. The bank had to take care that its decisions did not have undesirable effects on long-term interest rates, he said.

Bundesbank takes a gamble with the D-Mark ....Page 2
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Up to 80 per cent of German industrial investment is financed with long-term loans.

Yesterday's meeting of the central bank council left the lombard rate, the effective ceiling rate, unchanged at 6.75 per cent. The securities repurchase rate, at which the bank supplies short-term liquidity to the market, and which the Bundesbank considers its most important instrument, was also left unchanged at 6 per cent for next week's tender.

The repo rate, at which German financial institutions borrow some two-thirds of their short-term funds, and which the Bundesbank regards as its most important instrument, has now remained unchanged since early December.

Mr Otmar Issing, the central bank's chief economist, dismissed as malicious and false suggestions that Bundesbank policy had softened under Mr Hans Tietmeyer, the new president. The decision was the "right mixture", he said, demonstrating the bank's ability to act while allowing caution to prevail.

Mr Richard Reid, chief economist at the Union bank of Switzerland in Frankfurt said: "They have made it seem a bit grudging. But the main thing is that rate cuts are back on the agenda."

The Bundesbank view that future easing of monetary policy would depend on continued wage and public spending restraint, was widely echoed. Mr Theo Waigel, finance minister, claimed his budget consolidation programme together with the Bundesbank's policy "reinforced conditions for an inflation-free economic recovery."

The VöB association of public sector banks said the "brave" move was not without risks to the D-Mark exchange rate, but that it was a step in the right direction, considering the unsatisfactory state of the economy.

However, observers said they expected cautious reductions in the repo rate in future as preparation for further moves on the discount rate, the effective "floor" lending level.

Volvo and Renault to terminate alliance of three years

By Hugh Carnegy in Stockholm and John Ridding in Paris

Volvo, Sweden's biggest manufacturer, and Renault of France agreed yesterday to scrap their three-year-old strategic alliance following the collapse last December of their plans to merge.

In a move against a trend of consolidation and co-operation in the hard-pressed motor industry, the two groups said they were terminating the web of cross-shareholdings and agreements on technical and industrial co-operation they established in 1990 as a first step towards merger.

The divorce came less than three months after Volvo, facing a shareholder revolt, tore up an agreement to unite its car and truck operations with the state-owned French company. Almost all that will remain of the alliance will be existing projects for the mutual supply of engines and gearboxes and joint marketing of cars in some markets.

The companies said the separation gave them the freedom to act independently. Renault called it the logical conclusion to the failure of the merger. The French government had seen the unwinding of the cross-investments as necessary to facilitate Renault's privatisation, due in the second half of this year.

Mr Sören Gyll, Volvo's chief executive, said the Swedish group would be able to plot a new long-term strategy – expected to include the search for a new partner. "We now have the freedom to plan and work out our own future in Volvo Car Corporation and Volvo Truck Corporation. The positive cash flows being generated by these operations can now be fully utilised."

Under the separation pact, the parent AB Volvo will swap its 45 per cent holding in RVI, Renault's car and truck operations, for Renault's 25 per cent holding in Volvo's car corporation. No payment will be made by either side, although no details were given of the valuation of the

Continued on Page 14
Lex, Page 14

Russian intervention wins pledge from Karadzic that ceasefire will be observed

Bosnian Serbs 'to pull back all heavy weapons'

By Robert Mauthner, Judy Dempsey and Philip Stephens in London

Russia yesterday seized the initiative in the Bosnian crisis, apparently winning the Bosnian Serbs' agreement to pull back all their heavy weapons from around Sarajevo.

Mr Vitaly Churkin, Russian deputy foreign minister, said that 400 Russian peacekeeping troops would be sent immediately from Croatia to the Bosnian capital, and 400 more would be dispatched from Russia itself. This followed assurances given Mr Churkin by Mr Radovan Karadzic, leader of the Bosnian Serbs, that he would abide by the ceasefire and withdraw the heavy artillery.

Mr Karadzic declared after meeting Mr Churkin in Pale, the Bosnian Serb headquarters: "We are going towards the end of the war, at least in Sarajevo, and that might be the introduction of the end of the war in all Bosnia-Hercegovina."

Mr Bill Aikman, spokesman for the United Nations forces in Sarajevo, described the promised withdrawal as "a very heartening development". Although many previous pledges by the Bosnian Serbs have come to nothing, Mr Aikman later spoke of "a very significant withdrawal of Bosnian Serb forces off the hills around Sarajevo" taking place last night.

Moscow officials earlier this week had said Russian troops in Croatia would not be sent to Bosnia, or be placed under direct UN command. Most western countries yesterday refused to send substantial additional troops to bolster the UN peacekeeping operation in Sarajevo.

The Russian leadership is anxious not to be sidelined as Nato and Washington assume a higher profile in the crisis. It also has to take into account its nationalist constituency at home, which sympathises with the Serbs. Mr Churkin said on Russian television: "We can say that any air strikes on any Bosnian Serb positions are ruled out for the simple reason there will be no targets for these strikes to hit."

Mr Karadzic said: "We are very grateful to Russia for its involvement in the resolution of the crisis. We have accepted the proposal and the request by Russia concerning the withdrawal of heavy weaponry."

Admiral Mike Boorda, commander of Nato's southern forces, had said earlier in the day: "We are a long way from complete compliance." Defence ministers from several Nato countries will meet in Italy on Sunday, hours before the expiry at midnight GMT of a Nato ultimatum. If the withdrawal and collection of heavy weapons is not completed by that time, the UN commanders on the ground can ask Nato to carry out air strikes.

In London, the British government flatly rejected sending more troops to former Yugoslavia to reinforce the peacekeeping operation around Sarajevo. France said it would send no more, while the Netherlands, Spain and Canada had not yet decided.

Despite reports of confusion over who would control the Bosnian Serb weapons, General George Joulwan, Nato's supreme commander in Europe, and the commander-in-chief of the US forces in Europe, said after talks with Mr Yasushi Akashi, the UN's special envoy: "We are in agreement over the definition of control of the weapons."

Aid workers 'at risk', Page 3

General George Joulwan (left) with UN envoy Yasushi Akashi at the UN protection force headquarters in Zagreb. "We are in agreement over the definition of control of the weapons," gen Joulwan said. Reuter

Groupe Bull offers a 20% stake to potential partners

By John Ridding in Paris

Groupe Bull, France's lossmaking computer group, is holding talks with potential industry partners to prepare for its privatisation, Mr Jean-Marie Descarpentries, the chairman, said yesterday. An equity partner could take a stake of up to 20 per cent in the state-owned company.

In his first briefing since taking over at Bull last October, Mr Descarpentries said he was seeking to prepare the company for privatisation as quickly as possible. The French state's 76 per cent stake could fall below 50 per cent this year, he said.

The Bull chairman also spelt out a restructuring and cost-cutting plan aimed at returning the computer group to profit in 1995. The group has lost more than FFr15bn ($2.5bn) over the past four years, as a result of depressed markets, high costs and inefficient production.

Mr Descarpentries said his recovery plan would be presented to the European Commission by March. The Commission has ordered a FFr2.5bn injection of state aid to the company to be frozen pending the presentation of a recovery plan, and is investigating a FFr7bn allocation made last year.

Mr Descarpentries described the capital injections as "one time, last time". He said he had been given two years by the French government to prepare the group for sale. This would happen through industrial partnerships and employee participation rather than a public offer for Bull shares, he said.

The search for industrial investors could bring a substantial foreign computer group into the capital of the French company.

"The criteria for the first partner will be speed not nationality," said the Bull chairman. He declined to specify the companies which discussions were being held, but Bull already has alliances with other international computer groups, including NEC of Japan. NEC holds 4.43 per cent of Bull's shares and has strategic alliances in several projects.

Mr Descarpentries said a return to profit would be achieved through a reorganisation of the group into separate profit centres, more stringent reporting and cost-cutting measures. A plan to cut 6,500 jobs in the two years to the end of 1994 has been accelerated.

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LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

هكذا من الأصل

Bundesbank takes a gamble with the D-Mark

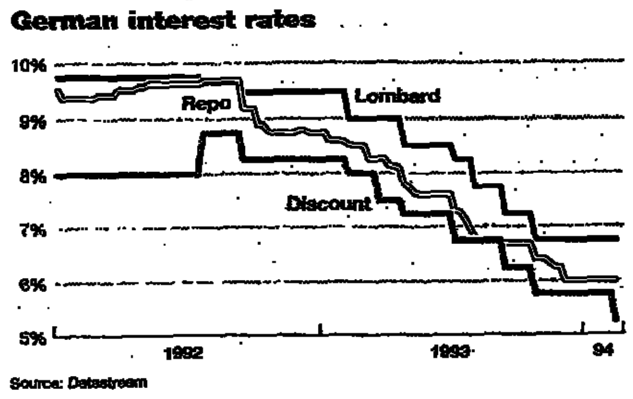
Conservative bankers say the interest rate cut presents a risk to the exchange rate, writes **Christopher Parkes**

The Bundesbank's snip at the discount lending rate yesterday appeared to be something of a gamble for an institution apparently so concerned with the stability of the D-Mark. As the more conservative among banking and industrial associations warned, the cut of 50 basis points to 5.25 per cent was not without its risks to exchange rates.

Many observers had also previously written off any change this week on the basis of Bundesbankers' repeated insistence on controlling growth in the M3 measure of money supply – the central bank's most-trusted barometer of future inflation.

In the light of the latest figures, which showed 8.1 per cent annualised M3 growth in December and an expansion rate in the last quarter of 1993 almost one percentage point above the upper 6.5 per cent limit of the central bank's target range, there seemed little prospect of a cut, however much economists and industrialists felt it was overdue.

German interest rates



Source: Datastream

A further element of risk was the danger of appearing relaxed about the overall situation and thereby sending the wrong signals to the truculent IG Metall engineering union which is currently preparing to call a strike ballot in pursuit of its 1994 wage claim.

But in the event, and in the light of encouraging noises on pay, public deficits, money supply and inflation emerging recently from the bank's headquarters, the central council decided that it could justify a resumption of the tip-toe progression which has characterised its policy since the discount rate started downwards from its 8.75 per cent peak almost 18 months ago.

The scale of yesterday's reduction of 50 basis points was wholly in keeping with the ultra-cautious process in which the bank has made nine cuts since September 1992 to shave just 3.5 percentage points off the discount rate.

The progression has run roughly in parallel with a series of economic and monetary developments, which – despite some hiccups – appear closely to match the Bundesbank's stringent requirements.

As it pointed out in its latest monthly report, published earlier this week, seasonally adjusted consumer prices have been rising for the six months to the end of January at just 2.5 per cent, compared with the 2 per cent the bank regards as acceptable.

Despite a tax and levy-induced month-on-month surge of 0.9 per cent last month, the headline annual rate of inflation was 3.5 per cent, continuing the uninterrupted erosion of inflation which has now been under way for more than a year.

Federal and regional government paymasters have also clearly taken Bundesbank strictures to heart. As the bank's monthly report noted, underlying federal spending last year increased just 2 per cent after exclusion of the burdensome effects of recession and unification, while the average inflation rate was 4 per cent.

Meanwhile, wage settlements so far have been far below the expected rate of inflation for 1994, and the external value of the D-Mark has been "fully corrected", according to the bank, after its marked appreciation following last summer's widening of the fluctuation bands within the European monetary systems. With key indicators apparently moving in the right direction, and the D-Mark back where it belongs in the currency constellations, the bank clearly felt itself able to take a modest gamble on its belief, restated yesterday, that the recent ballooning in M3 is a "temporary disturbance".

One side effect of the move, which the introspective central bank customarily insists plays a less than central role in its considerations, is expected to be a further stimulus to economic recovery outside Germany. Belgium, the Netherlands and Austria all responded promptly with rate cuts of their own yesterday.

By the bank's own reckoning, the domestic economy is still not free of recession. By the reckonings of German industrialists, since domestic demand among private, industrial and public sector consumers will remain weak for the foreseeable future, the only reliable route from the bottom of the economic cycle lies via improvements in export markets.

Any actions which serve to increase confidence abroad will directly benefit the internal situation, but as the Bundesbank tirelessly repeats, its job is managing monetary policy, and it can do that effectively only if the conditions outside its Frankfurt headquarters are right.

It made its move yesterday in the full knowledge that total public sector debt will approach DM2,000bn this year: equivalent to 60 per cent of gross domestic product. With protest strikes continuing around the engineering industry, it needed no reminders that the 1994 pay round is far from complete.

Signs of budgetary relaxation – a particular risk in an election year – or of inflationary pay awards to metal workers or public sector employees are likely to lead to the bank's retiring once more into its shell. And if it is wrong in its belief that money supply growth will fall this spring back towards or to within its target range, it may well stay there for some time to come.

Financial markets welcome move

By Philip Gawith

The decision yesterday by the Bundesbank to cut its discount rate by half a percentage point was welcomed in financial markets as confirmation that European interest rates are on a downward trend.

Analysts cautioned, however, that it was unlikely all European countries would follow suit until there was a clearer sign from Germany. The Bundesbank's move was described as "very cautious" and other countries are expected to be equally careful.

The Dutch and Belgian central banks quickly followed the German lead, but analysts stressed that although the Bundesbank's move signalled an easing of monetary policy, its cut yesterday was confined to the discount rate. Both the repo and Lombard rates were left unchanged.

"The Bundesbank is creating room for a real cut in their effective monetary instrument, the repo rate," said Mr Steve Hannah, head of research at IBJ International.

"The good news is that they have unlocked that door, but they have not yet opened it."

The repo is the rate that sets the money market rate and it is the key instrument used by the Bundesbank for implementing monetary policy.

The discount rate, which was cut to 5.25 per cent, establishes a floor for German interest rates. For money market rates to move lower, however, would require a lowering of the repo rate, which was yesterday left at 6 per cent. The Lombard rate, the upper ceiling at which the Bundesbank offers liquidity to the system, was also unchanged at 6.75 per cent.

Belgium cut its equivalent of the repo rate by only 15 basis points, while the Dutch left their repo equivalent – the special advances rate – unchanged, while trimming two other rates. Austria, which is not a member of the ERM, cut its discount and Lombard rates by a quarter percentage point.

Mr Paul Chertkow, head of global currency research at UBS, welcomed the Bundesbank rate cut as "a timely move that has given a much better tone to European bond markets," but said there would be "few immediate changes" in European interest rates.

Mr Chertkow said the "hard core" ERM currencies would probably await a Bundesbank decision on its repo rate. But if a currency such as the French franc were to appreciate to FFr3.38 to the D-mark, the central bank may be tempted to cut rates independently of the Bundesbank.

Mr Avinash Persaud, head of currency research at J.P. Morgan (Europe), said the Bundesbank wanted to reassure markets that it had not departed from its long-term path of lower rates, despite concerns over the IG Metall wage dispute and expectation of poor January money supply figures.

There has recently been evidence of investors in German bond markets becoming disenchanted at Germany's failure to ease policy more quickly. If this were to translate into large-scale selling, this would drive up long-term interest rates. Mr Chertkow said yesterday's move had probably averted this scenario.

IG Metall ballot looms

By Quentin Peel in Bonn

Three regions of Germany's IG Metall engineering workers' union yesterday decided their annual wage negotiations have formally failed, clearing the way for the union leadership to call a strike ballot.

The move coincided with a renewed outbreak of token strikes in support of the union's claim for a pay rise of 5.5 to 6 per cent and guarantees of job security.

In spite of a renewed plea by Chancellor Helmut Kohl for both employers and the trade union in the vital engineering industry to "exhaust every possible opportunity to reach an agreement, right up to the last minute," the rest of IG Metall's 14 regional wage commissions are expected to declare their negotiations deadlocked today.

The union leadership is expected to decide next Monday on the region where a strike ballot will be held, probably between March 1 and 3, with a view to calling a localised strike from March 7.

A move from the employers' side to restrict the talks just to questions of pay and holiday bonuses, and avoid the contentious area of working hours, was rejected by the union, leaving the two sides still apparently deadlocked.

Gesamtmetall, the engineering employers' federation, says the next move is now up to the trade union. Mr Dieter Kirchner, the chief executive of the organisation, warned in an interview to be published today that a strike decision would lead to lock-outs. They would be used as a last resort, in order to shorten any strike.

The union must get 75 per cent support in any ballot to call a strike, and it is clear public opinion is hostile to any such action. An opinion poll in Stern magazine today says 67 per cent of the west German population would oppose it.

Yesterday's protest actions included a stoppage by 20,000 workers who attended a rally outside the Mercedes works at Sindelfingen, near Stuttgart. Token strikes have been organised across the country, since the legal requirement to observe industrial peace expired on January 28.

The first round of pay talks for the construction industry was held in Frankfurt yesterday, without any outcome.

The construction union, IG Bau, is looking for a 6 per cent pay increase.

Safety fear over E Europe nuclear plants

By Gillian Tett in Brussels

Eastern Europe's ageing nuclear reactors will present a serious hazard unless more money is provided for their renovation and eastern European governments agree to implement the Vienna convention on nuclear safety, Foratom, the European nuclear industry body warned yesterday.

Speaking in Brussels, Dr Claus Berke, president of Foratom, said that in spite of growing western concerns about the safety of the plants, in the aftermath of the Chernobyl accident nearly eight years ago, attempts to bring them into line with western safety standards were now almost entirely blocked in Russia, the Ukraine and Belarus.

One reason for this is a lack of funds – although Foratom has calculated that DM15bn (£5.8bn) would be needed to carry out the necessary safety work, only $1.7bn of funds had been offered so far, the group said.

However, the most significant reason for the delay has been the refusal of western companies to carry out the necessary replacement work, because of the failure by the governments in Russia, Ukraine and Belarus to sign the Vienna convention on nuclear safety.

This ensures that western companies carrying out renovation work on eastern European nuclear plants will be not be liable for civil claims in the event of a nuclear explosion.

"It is because of this risk [of being sued] that western industry has become increasingly reluctant to continue working in those states which have not signed and implemented the Vienna convention," said Mr Jonathan Heller, of the Foratom secretariat.

He pointed out that so far virtually no replacement work had been carried out in any of the nuclear plants in Russia or the Ukraine, although companies had been allowed to proceed with analysis.

The Ukraine has five nuclear power plants, including the infamous Chernobyl plant. Russia has nine, with the plant in St Petersburg – of a similar design to Chenobyl – suppying 40 per cent of the city's electricity.

Foratom said yesterday that efforts were now being made to develop interim commitments with the separate states which would allow western companies to evade liability.

The Lithuanian government recently amended its laws to allow ABB group to renovate the Ignalina plant in Lithuania, and Foratom hopes that other groups like Siemens will also be able to benefit from similar agreements.

Faced with a declining market in western Europe, eastern Europe is regarded as a rich source of potential business for the European and US nuclear industry.

However, Foratom admitted that the uncertain outcome of the Russian elections was now making it increasingly difficult for them to persuade the Russian government to take similar action.

"It is not very high on the Russian government's agenda," said Mr Heller, who added that even if the delay was resolved it would take some three to four years before eastern European nuclear plants were brought into line with western safety standards.

NEWS IN BRIEF

Belgian economy turns the corner

The recession in Begium has bottomed out, although the economy remains burdened by a large budget deficit and high unemployment, Mr Alfons Verplaetse, Belgium Cental Bank governor said yesterday, writes Gillian Tett in Brussels.

He said the budget deficit, currently 7.2 per cent, remained the central issue facing the government. Belgium's GDP fell 1.3 per cent in 1993. Household savings reached a record 20 per cent of disposable incomes. The recession appeared to have slowed in the last quarter of 1993, but during the year as a whole unemployment rose from 8.2 per cent to 9.4 per cent, with no prospect of a fall in the jobless rate in sight. Inflation rose to 2.8 per cent, up from 2.4 per cent in 1992.

Portugal in telecom merger

The Portuguese government is merging two of its three telecommunications operators ahead of partial privatisation late this year or in early 1995, writes Peter Miles in Lisbon. The cabinet yesterday decided to rename Telefones de Lisboa e Porto and Telecom Portugal as Portugal Telecom. TLP covers communications in Lisbon and Oporto, while Telecom handles calls with the rest of the country and with Europe. The government said Marconi, the intercontinental operator, 51 per cent state held, was being left out of the merger for the time being.

Russia in telecom share issue

Russia's telecommunications monopoly Rostelekom will offer 22 per cent of its shares to the public between March 14 and April 12, privatisation officials yesterday, Reuter reports from Moscow. Rostelekom, which controls some 80 per cent of all telephone lines in Russia, became a joint-stock company last September. The state owns 51 per cent of the company's shares.

French media group fined

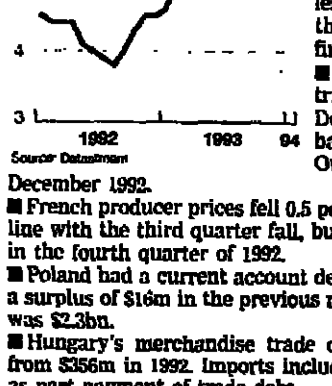
Carat Finance, the French media buying group, has been fined Ffr35m (£4m) following an inquiry by the Conseil de la Concurrence (the French anti trust body) into the operations of the advertising and media market during the 1980s. It is one of 24 companies to be fined. The Conseil said a number of companies had engaged in practices which were anti-competitive.

Italian cigarette contraband up

The quantity of contraband cigarettes seized last year by Italian customs almost doubled to 1,583 tons, Robert Graham writes from Rome. Customs figures released yesterday show that illicit cigarette trading cost the treasury lost income of L442bn, (£17bn), 80 per cent up on 1992.

Netherlands

Unemployment rate (per cent)



Source: Datastream

■ Registered unemployment in the Netherlands rose broadly in the three months ended January 31. There were an average 480,000 people looking for work in the latest November-January reporting period, more than the 453,000 in the three months ended December 31 and up 116,000 from the 364,000 a year ago. The November-January jobless total was the highest since the 493,000 people recorded in first quarter of 1988.

■ New orders to Swedish industries rose 2% in volume terms in December from November on the back of strong export orders. Orders were 19% higher than in December 1992.

■ French producer prices fell 0.5 per cent in the fourth quarter, in line with the third quarter fall, but less than the 1.7 per cent fall in the fourth quarter of 1992.

■ Poland had a current account deficit of $62m in December after a surplus of $16m in the previous month. The total deficit for 1993 was $2.3bn.

■ Hungary's merchandise trade deficit rose to $3.62bn in 1993 from $356m in 1992. Imports include $713m of Russian warplanes as part payment of trade debt.

Rivals compete to inherit the conservative mantle of Franz-Josef Strauss

Bavarian minister out but not down

By Quentin Peel in Bonn

Bavaria is bracing itself for a new battle between its conservative leaders over who can most rightfully claim to inherit the mantle of Mr Franz-Josef Strauss, its legendary post-war leader.

The stage-managed resignation on Wednesday night of Mr Peter Gauweiler, the 44-year-old environment minister in Germany's prosperous and fiercely independent southern state, could set the scene for a continuing struggle for the soul of Mr Strauss' ruling Christian Social Union, the smallest partner in the Bonn coalition.

Mr Gauweiler, forced out of office in a scandal over legal fees, which he has continued to receive in addition to his ministerial income, managed to dominate prime time national television with his resignation speech to a cheering audience of supporters in a Munich beer cellar.

A former student leader who was rapidly promoted by Mr Strauss when he was Bavarian prime minister, Mr Gauweiler told a delighted crowd that he would be back. "I feel stronger and fitter than many people would like me to be," he declared.

His departure is both a relief and a worry to Mr Edmund Stoiber, the current Bavarian premier, and the principal claimant to inherit the Strauss mantle.

Peter Gauweiler waves to supporters in a Munich beer hall where be announced his resignation as a Bavarian minister AP

Mr Stoiber, who defeated CSU leader, Mr Theo Waigel, Bonn finance minister, to assume the premiership last year, and thus underline his claim to be the party's real strongman, is fighting to defend an absolute majority in Bavaria's state parliament at elections scheduled for September.

At the same time the CSU is struggling to maintain its presence in the European parliament at the European elections on June 12: it has to win enough support in Bavaria alone to gain 5 per cent of the national vote – the minimum needed to gain seats in the parliament.

Initial fears that Mr Gauweiler, an outspoken Euro-sceptic would leave the party and campaign against it, are discounted by most Bavarian observers.

"He will certainly stay in the party," Mr Michael Stiller, domestic political editor of the Süddeutsche newspaper in Munich, said yesterday. "He hesitated for a long time, and there was talk of him teaming up with the anti-European alliance headed by Manfred Brunner (the Free Citizens' Alliance).

"He is a very good beer-tent speaker. I think he will now go out and campaign for re-election in the CSU, arguing that some people should be re-elected more than others.

"The danger for Stoiber is that Gauweiler is trying to revive the old Strauss era. Stoiber is trying to distance himself from it, to the extent that the memory is tainted with the suspicion of bribery and corruption."

Both men share a common Euro-scepticism, which the CSU is seeking to exploit to keep the far-right wing Republicans at bay in the forthcoming European elections. In that campaign, Mr Gauweiler, who coined the phrase "Esperanto money" to describe the future common European currency, is needed as a vital ally.

Whether he can use his obvious popularity with the party's conservative grass roots to challenge Mr Stoiber himself is more doubtful. But his presence does mean that the Bavarian premier is likely to spend the next seven months watching his back, as well as his more obvious opponents.

Moscow to accept all drugs approved and made in US

By George Graham in Washington

Russia's health ministry has agreed to accept all drugs approved by the US Food and Drug Administration and manufactured in the US without additional clinical testing or analysis.

The move is expected to open the door to the Russian market for pharmaceutical companies that have often found Russian authorisation for their products long, costly and unpredictable.

Despite the requirement that the drugs be made in the US – intended to insure that the production facilities are under FDA supervision – the agreement is unlikely to yield an immediate financial bonanza for pharmaceutical manufacturers, because of Russia's economic problems.

It will, however, greatly improve access to some of the most important medicaments for Russian patients.

Many drugs are scarce and unaffordable, contributing to severe outbreaks of diseases such as diphtheria. Modern antibiotics are in particularly short supply, with shortages exacerbated by the need to pay in hard currency for medicines previously supplied by eastern European allies.

Only around 40 US drugs are currently approved for sale in Russia. Winning that approval could take more than a year, and much longer if the Russian health ministry decided to order its own clinical trials.

Although the US-Russian agreement works only one way, it may offer a glimpse of greater future co-operation between government drug agencies in different countries.

US manufacturers will receive approval for their products within 90 days of submitting basic documentation.

The US, EU and Japan agreed in 1991 on guidelines aimed at harmonising their drug approval procedures, so that companies could conduct a single set of clinical trials that could be used in winning authorisation in each country.

Miners delay raid on Bucharest

Militant Romanian coal miners yesterday postponed a planned raid on the capital like the ones that in the past toppled a prime minister and crushed a protest movement, Reuter reports from Bucharest.

Some 2,000 striking miners clad in overalls and armed with clubs had rallied outside the offices of the Tirgu Jiu lignite company in the western Jiu Valley ready to head for Bucharest, about 250km to the east.

But they decided on a delay after the minority left-wing government, facing a deepening labour crisis, stood firm and said it would punish militant union leader Miron Cosma if the march went ahead.

The miners decided to wait while their leaders went to Bucharest for fresh talks today on their demands for bonuses and resignations of some officials.

"The miners postponed their raid on Bucharest... They said they would send union leaders to Bucharest to negotiate with the government on Friday," local journalist Nicolae Brinzan told Reuters.

In 1990 miners led by Mr Cosma answered a call by President Ion Iliescu to crush a protest movement and in September 1991 the miners toppled reformist Prime Minister Petre Roman. At least nine people were killed in the two expeditions.

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NEWS: EUROPE

Fears grow over action against Macedonia

Blocking the former Yugoslav republic's access to the sea may be dangerously destabilising, reports **Kerin Hope**

Greece's political leaders speak in smug cliches about the country's importance as a "force for stability in the Balkans", as the only member of Nato and the European Union in the region.

Its businessmen, finding it increasingly hard to compete in the single market, see Albania, Bulgaria and Romania as a natural area for investment. Trade already flourishes and co-operation is beginning in banking and financial services.

Yet politicians and businessmen dismiss the idea of developing similar ties with Macedonia, which they insist on calling Skopje, after its capital.

The Greek socialist government's decision on Wednesday to close the Greek consulate in Skopje and deny the former Yugoslav republic access to the northern Greek port of the Thessaloniki underlines the frailty of Greece's European commitment when it comes to a bilateral dispute with a Balkan neighbour.

"Macedonia's position is already precarious, despite widespread recognition and support from the EU. This kind of pressure from the Greeks could be dangerously destabilising," said a diplomat.

Greece's refusal for the past two years to recognise Macedonia, on the grounds that its name amounts to a territorial claim on the Greek province of Macedonia, has consistently irritated its EU partners.

A widespread Greek belief that Greek and western European interests in the Balkans do not necessarily coincide is voiced publicly by nationalist factions in both Prime Minister Andreas Papandreou's Panhellenic Socialist Movement and the opposition conservatives.

Greece's unwillingness, for example, to endorse its Nato allies' ultimatum to the Bosnian Serbs, or participate in military action in Bosnia, reflects the government's reluctance to endanger Greek relations with Serbia.

However, there appears to be no connection between Mr Papandreou's unprecedented move against Macedonia and the build-up to the threatened Nato air strikes.

Mr Papandreou, who has been trying to improve relations with the United States since his return to power last autumn, found himself under attack from his party's left wing when the US recognised Macedonia last week.

Apart from helping to reassert his grip on Pasok, Mr Papandreou's decision appears a clumsy attempt to put pressure on Mr Kiro Gligorov, the moderate Macedonian president, to yield to Greek demands set last year as a condition for resuming UN-sponsored talks on the name issue.

The Greeks insisted that Macedonia should change its flag, which carries an ancient Greek symbol associated with Alexander the Great, alter the preamble to its constitution to avoid any hint of building a Greater Macedonia and stop propaganda against Greece.

Mr Gligorov's position is that talks should be restarted without pre-conditions, since Macedonia's nationalist party, VMRO, has enough votes to block the two-thirds majority needed in parliament to change flag and constitution.

Moreover, closing the Greek consulate in Skopje will have little effect, as Macedonian passport holders are routinely denied visas to visit Greece.

It remains unclear exactly how the Greek government intends to enforce the embargo on Macedonia's use of Thessaloniki port. Greek foreign ministry officials, asked how they would ensure that goods continued to move between Macedonia and other EU countries under single market rules, appeared at a loss.

Officials in Skopje admit that losing access to Thessaloniki comes as a damaging blow just as Macedonia starts an economic reform programme, to be based on an IMF stand-by loan, which aims at reviving industry. Almost all Macedonia's oil is shipped by rail or truck from Thessaloniki.

Despite the political hostility, the volume of goods from Macedonia transiting through Thessaloniki has risen sharply since the war in Bosnia blocked access to ports in Montenegro and Croatia.

Macedonia's only alternative outlets to the sea are through Albania or Bulgaria, but there are no direct rail connections with either country and both roads are narrow and heavily congested.

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Aid workers 'at risk' in Bosnia air strikes

UNHCR officials warn staff would be compromised as would a programme that keeps 4.2m people alive, writes **Judy Dempsey**

For the past 18 months more than 400 truck drivers have criss-crossed the former Yugoslavia delivering 73,200 tons of food and clothing a month to 4.2m people under the auspices of the United Nations High Commissioner for Refugees.

Each day, they receive reports from UNHCR offices scattered throughout Bosnia and decide whether to set out or not. Sometimes the weather forces them to abandon their run.

"When it snows, we cannot see the mines," said Ms Sylvana Foa, the spokesperson for the UNHCR in Geneva. For instance, last Tuesday a convoy was due to travel to eastern Mostar in western Hercegovina which Croat forces have bombarded for the past year. "There were no deliveries going into Mostar on Tuesday. The mines were covered by snow," she said.

Other days, the drivers, who travel in convoys backed by UN armoured personnel carriers, hear from the local UNHCR offices about road blocks, intimidation, food stolen from depots, shots fired at the trucks, colleagues being attacked, sometimes shot dead, and endless delays in obtaining or extending papers required to pass through Serb- and Croat-held territories across Bosnia.

As the deadline looms for the Nato ultimatum, under which Serb-held positions around Sarajevo will be hit if all heavy weapons are not withdrawn or placed under UN supervision, UNHCR officials are becoming anxious. If the air strikes lead to any retaliation on the ground, which could seriously disrupt the steady flow of food, clothing and medicines, more people will die, they say.

"The point is that if the UN gives the go-ahead for air attacks, and the UN will lose its impartiality. Aid workers will be at risk, since they are working under the auspices of a UN agency," a British military expert said.

The UNHCR has some contingency plans. "The most inessential staff will be withdrawn from the region," said Ms Foa. "We will try and keep the logistics and radio staff on the ground. But we will have to take each day as it comes," she added.

But no one can predict how Serb local commanders will react if Nato strikes the hills surrounding Sarajevo. Mr Radovan Karadzic, head of the Bosnian Serbs, is already distancing himself from taking responsibility in the event any aid workers are attacked.

"I assure you, the aid will continue, and it will be allowed to continue. But I cannot tell you what will happen if I do not have control on the local level," he said in Geneva last week.

"Much will depend on what kind of messages will come from the top Serbian leadership," a UNHCR official said.

General Manojlo Milovanovic, chief of staff of the Bosnian Serb army, has already suggested that the lives of foreigners will not be safe if air strikes take place. In an interview in the Belgrade-based Interfju weekly magazine, he said: "We are openly telling everyone: In case of air strikes, all foreigners who find themselves on our territory will become hostages," he said.

"Those include International Red Cross and [UN relief] workers, and sadly, journalists too," Gen Milovanovic was quoted as saying.

The aid, sometimes interpreted as serving as a pretext for maintaining the arms embargo, or blocking any outside military intervention, is, however one of the unacknowledged "successes", despite the terror and violence in Bosnia.

In that republic alone, more than 2.7m people are dependent on aid which is distributed from seven centres throughout Bosnia, involving more than 600 UNHCR staff, and a further 1.8m throughout the other republics. Many will be unable to return because entire villages and towns have been destroyed, or "ethnically cleansed".

"Sometimes people forget that the aid is keeping people alive," said Ms Foa. But she added that the monthly food requirement continued to fall short of deliveries from donor countries. For instance, last December, the city of northern Bosnian city of Banja Luka required 3,400 tons. Less than 2,700 tons was delivered. UNHCR officials reckon that Bosnia requires 46,413 tons a month. The shortfall already exceeds 15,000 tons.

Any slowdown, or disruption of the aid would not only lead to a worsening refugee crisis, UNHCR officials warned this week. "Europe will be saddled with a refugee problem for a very long time," said Ms Foa.

It would also facilitate "ethnic cleansing". Civilians would lose the will to remain in villages cut off by food and this would facilitate "ethnic cleansing" and consolidate territorial gains by all sides, they warned.

Children greet a Red Cross truck driver who has just delivered some of the 73,200 tons of aid distributed each month

Crimea's moves towards Russia upset Ukraine

By Jill Barshay in Kiev

Crimea's moves this week to appoint a Russian citizen as prime minister and introduce the Russian rouble by summer are raising the likelihood of conflict with the Ukrainian government in Kiev.

Ukrainian leaders have denounced the pro-Russian actions by the seoaratist Black Sea peninsula, saying that they could cause "a big political upheaval". But they have so far stopped short of threatening retaliation.

Since winning a landslide victory last month, Crimea's first president, Mr Yuri Meshkov, has been actively fulfilling his campaign promise to reintegrate the region into the Russian economy and press ahead with a referendum next March on independence.

Last week, Mr Meshkov was in Moscow to initiate negotiations on economic co-operation with Russia. Russian regional affairs minister, Mr Sergei Shakhrai, confirmed on Wednesday that an economic agreement had been drafted.

In addition to Russian roubles, Mr Meshkov announced that Russia would supply gas and oil to the energy-starved region where a third of its enterprises have stopped operating while half are working at 50 per cent capacity.

Russia is also reportedly providing Rbs50bn to resettle Crimean Tatars returning to the region after Stalin's second world war deportations.

Moscow's more active involvement in Crimea's aspirations for independence threatens to add to Ukrainian-Russian tensions , just as the two sides were beginning to resolve their differences on nuclear arms and energy supplies. And Crimea is already the centre of a Russian-Ukrainian dispute over the Black Sea Fleet based on the peninsula.

Moreover, Kiev has not been officially informed on the Moscow-Crimea negotiations. "I do not report back to the Ukrainian president," said Mr Meshkov.

Mr Valery Shmarov, deputy prime minister, has condemned the Moscow-Crimea talks, saying, "the rouble will not appear again as legal tender on Ukraine territory".

President Leonid Kravchuk, for his part, is looking at whether it is constitutional for a Russian citizen to hold a high regional post with access to state secrets.

A holiday and retirement area for Kremlin elite, Crimea is 70 per cent populated by ethnic Russians. The coastal region was arbitrarily transferred by the Kremlin from Russian to Ukrainian jurisdiction in 1954. But since becoming part of an independent Ukraine in 1991, Crimea's 2.5m residents have seen their fortunes decline with the worsening Ukrainian economy.

In the face of frequent calls for independence, Kiev granted Crimea political autonomy in 1992 and free economic zone status in 1993. Mr Meshkov's recent actions, however, will test the extent of Crimea's degree of self-rule.

Trade and consumer price data add weight to Clinton forecasts

Boost for US growth prospects

By Michael Prowse in Washington

Reports of a zero increase in consumer prices last month and a sharp fall in the trade deficit in December to $7.4bn yesterday added credibility to the Clinton administration's forecast of sustained non-inflationary growth.

Analysts said the unexpected fall in the trade deficit would lead to upward revisions to economic growth in the fourth quarter to an annual rate of more than 6 per cent.

Apparent absence of upward pressure on prices, meanwhile, reduced the immediate risk of another increase in short-term interest rates. But good inflation figures are unlikely to prevent further tightening of monetary policy in coming months if the Federal Reserve concludes the economy is growing faster than its long-run potential, and thus eliminating excess capacity.

The consumer price index was flat last month and up by only 2.5 per cent in the year to January. Most analysts had predicted an increase of about 0.3 per cent.

Inflation was held down by the decline in world oil prices, which caused a 0.8 per cent fall in US energy prices, and by changes in seasonal adjustments. In recent years, blips in consumer prices in the first four months were wrongly interpreted as a sign of increasing inflationary pressure.

The "core" consumer price index – which excludes the volatile components of food and energy – rose 0.1 per cent last month and by 2.9 per cent on an annual comparison.

The merchandise trade deficit fell from $9.7bn in November to $7.4bn in December, the lowest shortfall in a year. Analysts had expected a gap of about $10bn.

The improvement mainly reflected a $2bn rise in exports to $42.2bn; imports fell $0.3bn to $49.6bn despite the economy's strength at the end of the year.

The smaller trade gap will probably result in an upward revision in economic growth in the fourth quarter to an annualised 6.0-6.5 per cent, against the 5.9 per cent initially reported.

The trade improvement, however, may not be sustained. Exports were boosted in December by an erratic increase in aircraft sales, by a strong rebound in car exports, and by the decline in oil prices, which held down imports.

Mr David Rolley, senior economist at DRI-McGraw-Hill, the forecasting group, said import volumes were likely to grow twice as fast as exports this year, reflecting faster growth in the US than elsewhere. The trade deficit would probably rebound to $12bn-$13bn by mid-year and hit $15bn by the end of the year.

Bank withdrawals debited twice in computer glitch

By Richard Waters in New York

In one of the most embarrassing computer glitches ever to hit a big retail bank, Chemical Bank yesterday said that it had accidentally taken millions of dollars out of thousands of its customers' checking accounts.

Any of Chemical's 1m customers in the New York city area who withdrew cash from the bank's automated teller machines on Wednesday faced a nasty shock yesterday. The bank's computer debited each withdrawal twice from customers' accounts, leaving many customers in the red.

Irate customers who called the bank yesterday morning were told that Chemical was still investigating the extent of the problem, and that efforts were being made to re-credit the money to their accounts by the close of business.

Cheques would not be bounced if customers' accounts had been debited by mistake, the bank added.

The problem occurred while "we were doing some systems modifications", the bank said. This had led to an "error in routing", though it did not elaborate further. "Tens of thousands of transactions" were affected, it said.

A bank employee at one of Chemical's service centres said it was still unclear how the problem had occurred, but that the bank was looking into it.

Some 900 automated teller machines, or one out of every five which dispense cash in the metropolitan area, are owned and run by Chemical, the city's second biggest retail banking institution after Citibank. Chemical has 1m customers in the New York area.

The answer to one question remained unclear yesterday morning: if the bank's computer was debiting money from thousands of its customers' accounts, whose account was it crediting? "There was no loss to customers or the bank. It wasn't a fraud," the bank said.

Reno confirms fee for political asylum-seekers

By Jurek Martin in Washington

Ms Janet Reno, the attorney general, confirmed yesterday that the US would become the first nation to charge a fee to applicants for political asylum. But she added that the charge – $130 per head – would be waived for those who clearly could not afford it.

The Immigration and Naturalisation Service, under new rules that could take effect as early as October, will also delay issuing temporary work permits to asylum-seekers for 150 days as part of a drive to cut the asylum backlog and to prevent abuse of the system.

Permits are normally issued within 90 days pending the adjudication process, which may take years. Rather than risk eventual deportation, many applicants use work permits to create new identities and disappear into the underground economy.

The income from the fees will be used to double the size of the asylum processing corps, which is currently only 150 strong, or a fortieth the size of its German counterpart. The asylum backlog already stands at 364,000, with more than 150,000 new applicants last year alone, and is still growing at a rate of over 10,000 a month, according to the Immigration and Naturalisation Service.

The controversial new approach reflects the scarcity of INS resources. With little prospect of greater federal funding, the INS "can only exist and expand on the basis of fees", notes Mr Dmitri Papadimitriou, director of the refugee and migration programme at the Carnegie Endowment in Washington.

The new charges, he adds, "are a drop in the ocean" of what is needed and the new rules are certain to be amended before October 1. Mr Papadimitriou also saw a big internal fight in the INS over whether families or employers of asylum-seekers should also be asked to fund the process.

Bustamante quits as Peru premier

By Sally Bowen in Lima

Mr Alfonso Bustamante, Peru's premier and trade and industry minister, has resigned in the wake of last week's controversial move by parliament and the executive against the autonomy of the Supreme Court.

Mr Efrain Goldenberg, a businessman who has headed the foreign ministry for rather less than six months, replaces Mr Bustamante as premier. Mr Goldenberg joined the cabinet last September with no previous political background and no experience of diplomacy.

Mr Bustamante also headed Promperu, the government body charged with improving Peru's tarnished image abroad and promoting exports.

His resignation is linked to the passage of a law last week, under pressure from the military, switching jurisdiction over a case involving the killingof nine students and a professor from civilian courts to a secret military tribunal.

President Alberto Fujimori promulgated the law, but Mr Bustamante refused to put his signature to it.

'Clinton Lite' health plan gets a tasting

Slim-line alternative proposal draws criticism as well as praise, writes George Graham

President Bill Clinton's ambitious healthcare reform plan has suffered a series of setbacks in recent weeks.

Clinton: it's universal cover, not just access, that counts AP

While the Congressional Budget Office shed doubt on the medium-term financial consequences of the proposal, the Business Roundtable, an alliance of heavyweight corporate interests, disavowed the president's plan and threw its influence behind a rival approach promoted by Congressman Jim Cooper of Tennessee.

Mr Cooper, a Democrat who is running in this year's race for the Senate seat once held by Vice-President Al Goro, has pitched his proposals firmly in the middle of the political spectrum. He likes to call his plan "Clinton Lite", a slimline version of the president's package, stripped of some of the government involvement that Mr Clinton's Republican foes find so objectionable.

The Cooper plan is, in fact, the only healthcare reform proposal before Congress to have picked up endorsements from both Republican and Democratic members.

But the limelight has brought with it a new degree of scrutiny, and the details of Mr Cooper's proposals are coming in for searching criticism.

"I think that a more full exposition of Mr Cooper's bill is trouble for Mr Cooper, not the administration," said Congressman John Dingell, who, as chairman of the House of Representatives energy and commerce committee, holds sway over a large portion of any health reform legislation.

The Cooper plan is aimed at introducing a form of the managed competition concept which has inspired many of the competing proposals.

Insurance companies and healthcare providers would be strongly encouraged, by changes in the tax code, to form Accountable Health Plans. These plans must offer a standard package of health benefits, to be defined by an independent Health Care Standards Commission.

Health plans would be required to enroll anyone who applied for coverage. They would be allowed to vary their premiums only by geographic location, and to a limited degree by the age of the policyholder; not on the basis of how sick people have been.

Small businesses and individuals would be able to enroll in Health Plan Purchasing Cooperatives similar to the Clinton plan's Health Alliances, but with a lower cut-off point – only businesses with fewer than 100 employees would be able to join, whereas in the Clinton scheme all businesses with fewer than 5,000 employees would be obliged to join.

Much of the support for Mr Cooper's ideas, however, stems from two central points in which his plan differs from the president's.

Mr Cooper would merely ask businesses to offer health insurance to their employees, not require them to pay for it. Mr Clinton, by contrast, has sought to ensure universal coverage by obliging businesses to pay 80 per cent of the cost of health coverage for all their full-time employees, a mandate that has deterred many small companies that do not provide such cover, and even many larger businesses that do.

A second difference is that both proposals claim they will bring market forces to bear in the healthcare system as their principal cost control mechanism. But while the Clinton plan would impose a cap on health insurance premiums if prices rise too fast, the Cooper plan relies on a tax mechanism. Health insurance benefits would be taxable if they exceeded the cost of the lowest approved health plan in the same geographical area. This would, Mr Cooper argues, encourage consumers to shop for the cheapest plan and discourage "Rolls-Royce" policies.

At the moment, health benefits may be fully deducted for the purposes of corporate income tax by the employer, and fully excluded from personal income tax by the employee. This loses the government about $65bn a year in tax revenue.

For many of his fellow Democrats, the most damaging criticism now being levelled at Mr Cooper's plan is that it can claim to offer only universal access, not the universal coverage that Mr Clinton insists on and that most polls suggest is strongly favoured by public opinion.

"When I get my L.L. Bean catalogue every year I've got universal access to all kinds of warm clothes, but I don't have any coverage with those warm clothes until I whip out my credit card," says Congressman Bill Ford, another influential House committee chairman. "The thing that's missing from Cooper's plan is a credit card."

Mr Cooper offers government subsidies covering the entire cost of the premium, estimated to range from $2,100 a year for a single person to $5,565 for a two-parent family, for those with incomes below the official poverty line – now $11,866. The subsidy would diminish on a sliding scale to zero at twice the poverty line.

But as Mr Henry Aaron, director of economic studies at Washington's Brookings Institution, pointed out in a recent critique, this would create a poverty trap by withdrawing benefits from those whose incomes rise above the poverty line – the equivalent of taxing income between $11,866 and $23,732 at an effective rate of 88 per cent.

"Although the Tennessee Democrat calls his plan 'Clinton Lite' it is not merely light but utterly empty on the central goal of the Clinton plan: universal coverage," Mr Aaron wrote in the New York Times.

Nonetheless, Mr Cooper and his backers seem likely to be an important voice as congressional committees get down to hammering out a legislative compromise.

Banco Latino may be refloated

By Joseph Mann in Caracas

The Venezuelan government says it will attempt to refloat Banco Latino, the country's second largest bank, which failed last month.

Mr Julio Sosa, the minister of finance, said on Wednesday that Latino would be restored to financial health and reduced in size.

The recovery plan calls for providing new public and private sector capital for the bank, appointing an administrative board, "improving communications" between the bank and its account holders and clients, and identifying those responsible for allowing the bank to collapse. It it not yet clear where fresh private capital will come from.

The government's plan is intended to give a sense of direction to its handling of Banco Latino, which has been slow and uncertain. It also was meant to quash speculation that the bank would be liquidated, and to indicate that the government planned eventually to sell put the bank.

Latino has been effectively shut since January 14.

NEWS: WORLD TRADE

US finds itself friendless in Gatt

By Frances Williams in Geneva

The United States found itself friendless in Gatt yesterday in its heightening trade row with Japan following the breakdown of talks between President Bill Clinton and Mr Morihiro Hosokawa, Japan's prime minister, last weekend.

Fellow members of the General Agreement on Tariffs and Trade seized the chance during discussion of a Gatt report on US trade policy to slam what they saw as Washington's attempt to manage bilateral trade with Japan, to the detriment of other nations and the multilateral system as a whole.

The US argument – that its goal is to open markets for the benefit of all – failed to mollify trading partners. More than 20 rich and poor countries, among them European Union states, Mexico, Australia, Canada, South Korea and Poland, expressed concern over US demands for numerical targets for Japanese imports and threats of trade retaliation.

Mr Tran Van Thinh, EU ambassador to Gatt, said these threats highlighted "the doubtful and disquieting nature" of the US aims. While the EU agreed with the need to reduce the excessive and persistent Japanese trade surplus, the remedies proposed by the US would be worse than the disease.

Mr Mitoji Yabunaka, of the Japanese mission in Geneva, said Tokyo "could not, did not and will not agree to set numerical targets" for imports. The Japanese government was, however, prepared to tackle the trade surplus by stimulating the economy and opening markets on a non-discriminatory basis.

The US federal budget deficit was the key to redressing the trade balance, Mr Yabunaka argued, noting that the US had failed to deliver on previous assurances made to Japan in 1990 that it would eliminate the deficit within 3-4 years.

The US-Japan dispute was given an extra twist this week when Japanese officials accused Washington of "dirty tricks" in withdrawing certain tariff offers made during the Uruguay Round talks.

US negotiators say the offers, on wood, white spirits and some industrial electronic goods, were always conditional on tariff concessions by Japan which never materialised. However, Mr Nobutoshi Akao, Japan's chief negotiator in the Uruguay Round, claimed on Wednesday that offers in place when the round ended in December could only be improved upon, not retracted.

Trade diplomats said yesterday that the US, EU and Canada had made clear that they would scrap tariffs on wood and white spirits only if Japan did so as well. EU officials say the withdrawal of certain tariff offers to Japan is currently "under consideration".

Brittan distances himself from dispute

Sir Leon Brittan, European trade comissionner, yesterday sought to distance himself from the damaging trade dispute between the US and Japan by stressing that Europe did not intend to copy the US in its threat of punitive trade sanctions. Gillian Tett reports.

Speaking in Brussels, Mr Brittan said that although Europe was extremely conerned about its growing trade deficit with Japan, it intended to adopt a more collaborative approach in seeking to reduce the deficit.

He said the EU would seek to use a mixture of diplomatic pressure, backed by extensive trade monitoring to persuade the Japanese government to open its markets, he added, noting that in the last two years European exports to Japan have fallen by 4.5 per cent.

Nevertheless, with many EU officials now increasingly concerned about the impact that the US row with Japan might have on the Gatt deal, Sir Leon yesterday called for a new trilateral initiative to discuss trade issues between Japan, the US and Europe.

Gatt takes US to task over barriers in bilateral disputes

Curbs 'mar free-trade stance'

By Frances Williams in Geneva

Gatt's latest report on US trade policies and practices, published yesterday, warns that domestic pressure for bilateral action against Japan and others threatens the openness of the US trade regime and the multilateral system.

As the world's largest trading nation, with imports and exports at 14 and 12 per cent of world trade, "any distortions stemming from trade intervention have significant adverse effects on world trade and the international economy," Gatt says.

The report, written before the latest flare-up in US-Japanese trade relations, says the growing role of international trade in the US economy, the North American Free Trade Agreement and the completion of the Uruguay Round of global trade talks have all helped to bring trade issues to the centre of domestic economic policy debate.

By and large, the US remains a very open economy, the report makes clear. This has helped to boost productivity and competitiveness, smoothed the path of industrial adjustment and aided production and export growth "without the dramatic employment losses experienced by other countries".

However, Washington's adherence to free-trade principles is marred by high tariffs and other trade barriers in agriculture and textiles, continued bilateral pressure to prise open foreign markets and a significant increase over the past two years in anti-dumping and anti-subsidy actions.

Gatt notes that, despite improved competitiveness and higher US export earnings, falling US saving rates, "largely associated with federal budget deficits", have generated current account deficits. This has resulted in pressure for protection against high-saving countries with which the bilateral deficits are greatest, the report says.

Gatt takes a generally dim view of recent US agreements aiming to increase access to Japanese markets. Though most of these refer to imports from all sources, they are focused on sectors of particular export interest to the US. Two industry-to-industry deals relate specifically to US-made goods, notably one on car parts concluded in January 1992 under which Japanese carmakers agreed to double imports of US components between 1990 and 1994.

The report says the US has recently made "relatively restrained" use of its unilateral trade powers under Section 301 of the US Trade Act and related legislation. Only six new Section 301 cases were initiated in the two years to June 1993 compared with an average of nearly five a year since 1974.

Nevertheless, the existence of these procedures remains a running sore with trading partners who, as the report remarks, point to "the contradictions inherent in laws aimed at opening markets based on threats to close the US market".

Anti-dumping and anti-subsidy actions – increasingly labelled the protectionists' weapon of choice – have increased in the past two years, partly due to a flurry of steel suits brought after voluntary export restraint arrangements expired in 1992.

The number of anti-dumping and countervailing duty orders in force rose from 204 and 70 respectively in June 1991 to 268 and 86 in June 1993. The share of imports subject to orders grew from 0.2 to 0.9 per cent of total goods imports between 1988 and 1992.

Alleged bias in the operation of US laws has led to a rising number of challenges under Gatt's anti-dumping and subsidies codes. Accusations of trade harassment are given some credence by the fact that 80 per cent of investigations result in preliminary findings of dumping under semi-automatic procedures. However, when brought to the International Trade Commission of the US, nearly half the cases are thrown out because the alleged dumping has not been shown to cause injury to the domestic industry.

UN plan for eco-friendly products

By Frances Williams

Proposals for a certification scheme for environmentally friendly products from developing countries are being drawn up by the United Nations in a bid to head off the growing threat of trade discrimination against poor nations from proliferating labelling requirements.

Announcing the initiative yesterday, Mr Kenneth Dadzie, secretary general of the UN Conference on Trade and Development, said industrialised-country labelling and certification rules for environment-friendly goods often ignored the nature of products and production processes in developing nations. Inappropriate standards, and onerous information requirements, could make it difficult for Third World exporters.

The proposals, being worked on by Unctad and the UN Environment Programme, would have three key elements, Mr Dadzie said. These were: the use of equivalent environmental standards, allowing certification of goods that helped the local environment in the producing country; mutual recognition of certification schemes; and local standards-setting within internationally agreed guidelines.

Saudi jet order climax of White House efforts

Clinton & Co sales machine cashes in

By Nancy Dunne in Washington

The $6bn Saudi order for commercial jets, announced on Wednesday, is the climax of an extraordinary sales effort by the Clinton administration in concert with McDonnell Douglas and Boeing, which will share the fruits of the victory.

It represents the administration's commitment to "high-level advocacy", matching the efforts of foreign leaders who routinely promote their products during state visits. Before this deal was clinched, Mr Warren Christopher, secretary of state, and Mr Federico Pena, transportation secretary, had promoted the aircraft in Riyadh, and Mr Ron Brown, commerce secretary, had gone there twice.

President Bill Clinton, who triumphantly announced the deal, admitted that he has no difficulty in "asking for business". At the suggestion of Mr Brown, he had telephoned King Fahd last year to urge him to "buy American".

In response to business criticism, President Bush led the way for a government role in overseas sales. In 1990 he and cabinet officials lobbied for a multi-million dollar telecommunications deal with Indonesia to secure a contract for AT&T. But even that was criticised by some in US business as "defensive" and arranged hastily when it seemed that NEC of Japan would get the sale.

It did lack the kind of synchronisation that the Clinton administration has been developing under its Trade Promotion Co-ordinating Committee, which represents the view of the 19 different agencies involved in export promotion. Swift approval by the US Export-Import Bank of a preliminary commitment to finance the Saudi deal was one result of this co-ordination.

The administration has clearly come some distance since the US Council on Competitiveness issued a report warning of "a fragmented system of policy development . . . mirrored by a fragmented information and intelligence system across government agencies and between government and industry".

Flight of fancy, Leader Page

European partners dismayed at US victory

Airbus blow blamed on lack of political support

The four partners in Airbus – Deutsche Aerospace and Aérospatiale each with 37.9 per cent, British Aerospace with 20 per cent and Casa of Spain at 4.2 per cent – expressed dismay and criticism yesterday over the $6bn Saudi contract for aircraft from Boeing and McDonnell Douglas.

Deutsche Aerospace (Dasa), the parent company of Deutsche Airbus, blamed the lack of political support in Germany and Europe for the failure of Airbus to win any part of the contract for 50 airliners.

"The order was awarded on political grounds, and not on the basis of economics," Mr Hartmut Mehdorn, the Dasa director responsible for civil aircraft production, said.

He said that while President Bill Clinton had intervened forcefully on behalf of US industry, political support in Germany, in particular, and Europe in general had been comparatively weak.

He warned that the failure to win any share of the contract – unless the decision was altered – would result in further job cuts at Deutsche Airbus.

"Since Airbus aircraft have not been considered for this major contract up till today, the pace of Airbus production will have to be adapted in the near future," he said. Airbus said it did not know if the US contract represented the whole Saudi order or if there was more to come.

He had no doubt that if the contract from Saudia, the Saudi airline, had been decided on price and quality alone, the Airbus would have proved clearly superior to its US competitors.

Airbus Industrie, the European consortium of aircraft makers, said it intended to scrutinise the terms of the deal to see whether it contravened the Gatt agreement. "We'll be looking very carefully at the terms that the US has offered," said Airbus.

Airbus Industrie, the European consortium, has for the past year been negotiating with Saudia over the sale of its A340 long-range aircraft and its smaller A320s. It has still not been officially notified about the US contract.

Construcciones Aeronauticas (Casa), the state-owned Spanish aerospace company, said: "It is bad news for Airbus and therefore it is bad news for Casa." The Airbus consortium accounts for some 20 per cent of Casa's turnover, and together with the EFA fighter project in which Casa is also a partner, the European airliner constitutes the domestic industry's main access to technology and international partnerships.

Reporting by Quentin Peel, Alice Rawsthorn, Rachel Johnson and Tom Burns

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China's imports up 42.3% as trade deficit widens

By Tony Walker in Beijing

Chinese imports climbed by 42.3 per cent in January compared to the same month last year, further widening China's trade deficit, which exceeded $12bn last year.

The import surge underlines the difficulties facing the authorities in their efforts to calm an economy which grew by 13 per cent last year and which shows little sign of slowing.

Customs statistics showed that exports grew by 14.5 per cent in January to $4.7bn (£3.2bn) compared with imports of $5.7bn; a $900m deficit for the month.

China's trade deficit of $12.2bn in 1993 compared with a surplus of $4.4bn in 1992. In 1993, imports surged by nearly 30 per cent to $104bn, while exports grew by only 8 per cent to $92bn.

According to western economists, the authorities are unlikely to resort to administrative measures to curb imports. Among factors constraining Chinese action are concerns about the possible impact of such steps on China's efforts to rejoin the General Agreement on Tariffs and Trade.

Beijing was also thought unlikely to want to antagonise the US on the eve of a decision on renewal of China's Most Favoured Nation trading status. China's trade surplus with the US exceeded $20bn in 1993.

Chinese officials, quoted by the official China Daily, attributed much of the import surge to the activities of China's more than 170,000 foreign-funded enterprises. Imports by these ventures jumped by 116 per cent in January to $1.07bn. In 1993, imports by foreign funded enterprises rose by 58.6 per cent to about $41.8bn or 40.2 per cent of total imports.

China's weak export performance was partly attributable to a diversion of exportable goods to the booming domestic market.

The surge in investment spending led to increased domestic demand for traditional export items such as crude oil and oil products, steel, coal and cement. Weak growth in leading export markets and rising domestic costs also curtailed export growth.

Steel imports rose to more than 30m tons, valued at some $10bn. Imports of oil products doubled to more than 14m tons which reflected both the demands of a booming economy, and China's own flagging oil production.

Industrialists urge India to reform tariffs

By Stefan Wagstyl in New Delhi

Indian industry yesterday appealed to the government for an end to the anomalies in the country's complex import duty rates under which imports of finished goods are often taxed at lower rates than imports of raw materials and components.

In an appeal before the 1994-95 budget on February 28, the Confederation of Indian Industry placed newspaper advertisements urging ministers to reform the country's duty structure to ease the burdens placed on domestic manufacturing, particularly on the makers of machinery and other capital equipment.

Such reforms have long been on the CII's agenda, but companies hope that with a final pre-Budget appeal they can persuade Mr P V Narasimha Rao, the prime minister, and Mr Manmohan Singh, the finance minister, to at least start removing anomalies.

Since Mr Narasimha Rao launched an economic liberalisation programme in mid-1991, import duties have been cut from a maximum of 150 per cent to 85 per cent, gradually exposing Indian industry to competition.

However, duties on capital goods have come down further to 35 per cent in order to permit industry to equip itself with modern equipment of international standards.

Duties on raw materials have remained much higher – mainly because producers of steel and other basic products are largely state-owned and enjoy the support of influential officials and politicians.

Domestic capital goods makers say they are being squeezed, especially as orders from the cash-strapped state corporations have fallen in the wake of government efforts to make them operate more efficiently.

Output of capital goods fell 7.6 per cent in 1991-92 and 1.8 per cent in the year to last March. Imports of such equipment are rising fast – by 30 per cent in the first seven months of 1993-94, compared with an increase in overall imports of just 9.1 per cent.

Capital goods makers spell out the duty rates in their advertisement. The duty on imported machine tools, for example, is 35 per cent; raw materials such as carbon steel are charged at 85 per cent and components at 40 per cent. In addition, domestic makers pay 10-15 per cent in sales tax on their finished products.

Similarly, imported industrial valves attract duties of 35 per cent, compared with 85 per cent on sealants, balls, gaskets and other components. Again there is 10-15 per cent sales tax to pay on domestically produced items.

Larsen & Toubro, a leading engineering company, says it has lost orders to foreign competitors simply because duties and taxes made it uncompetitive.

It is widely believed that the budget will include measures to rationalise the duty structure – but it unlikely to contain the overhaul which the capital goods makers seek.

● Strikes closed banks in Bombay, Delhi, Calcutta and other parts of India as employees stayed away from work in protest at government moves to partly privatise state-owned banks, write R C Murthy in Bombay and Stefan Wagstyl.

Banking business was disrupted and cheque clearance suspended. The All-India Bank Employees Association, a left-wing trade union, staged a protest march in central Bombay, but the strike did not affect foreign banks or the State Bank of India, the largest and most profitable nationalised bank.

The trade union's main concern is that efforts to prepare state-owned banks for partial privatisation could involve job cuts.

Catalogue of disaster at BCCI

Former bank chief details slide into insolvency, reports Andrew Jack

The government of Abu Dhabi was told in April 1990 that more than $3.2bn was needed to cover the losses and misappropriations at the ailing Bank of Credit and Commerce International.

A three-page handwritten note from Mr Swaleh Naqvi, the former chief executive currently on trial in Abu Dhabi, says that the largest losses in the bank came from its treasury division and from the Gokal shipping group.

It also states that losses had been stemmed through $2.2bn taken from the portfolio of cash that Abu Dhabi gave to BCCI to invest on its behalf through its operations in the Cayman Islands.

The document is one of more than a dozen submitted by Mr Naqvi during 1990 to senior officials in Abu Dhabi, BCCI's majority shareholder.

The reports provide an insight into the circumstances leading to the collapse of the bank, and into the mind of Mr Naqvi, who took over control of BCCI after the health of Mr Agha Hasan Abedi, its founder and president, had deteriorated.

It is unclear whether all the documents have come to light or whether they present the complete picture of when and what Abu Dhabi knew about the extent of fraud at the bank.

However, they appear to lend support to its contention that it was unaware of the losses until Mr Naqvi confessed. Much of the information and supporting interviews also formed the basis of a report submitted to the Bank of England which led to the closure of BCCI in July 1991.

In a report dated September 1, 1990, Mr Naqvi says he could not previously inform the ruler of Abu Dhabi of the financial difficulties at the bank, "as Mr Abedi when he was active himself was aware of its seriousness and was trying to find some solution."

He says he was "caught unprepared" when Mr Abedi fell ill in 1988 and "did not have the courage to report immediately". He says subsequent financial problems "made the bank's financial position so precarious that slightest leakage of these matters would have caused its chaotic failure and would have exposed the sensitivities in an uncontrolled manner."

In other documents, he says large amounts of his time after 1988 were taken up defending the bank against negative publicity, and he was hampered by his lack of personal relationships in Abu Dhabi.

He says Mr Abedi came to Abu Dhabi in March 1990 to talk to Sheikh Zayed Bin Sultan Al Nahyan, the ruler, but because of his illness Mr Naqvi instead went with Mr Zafar Iqbal to inform Mr Mohammad Habroush, the minister of finance, Mr Ganim Faris Al Mazrui, head of the ruler's department of private affairs, and Mr Juaum Salim Al Dhahiri, now under-secretary in the finance department.

It was at this point that Abu Dhabi began an investigation into the size of the losses and ultimately drew up plans to restructure BCCI. Mr Mazrui said last week that he did not at once inform the auditors or others because he was uncertain of the truth of the fraud.

Mr Naqvi himself studiously avoids use of the word "fraud" throughout his reports, as well as in subsequent interviews he has held with investigators. He says there was no intention to "accumulate personal wealth".

"The situation as it has developed is not justifiable on a rational basis, but it developed and became out of control without any bad intention or any motive of personal gain for any senior member of the management, including Mr Abedi and myself".

Mr Naqvi says Mr Abedi's objectives for BCCI were to build an organisation to "provide opportunities for the growth of people all over the world", and become quickly self-supporting so it would provide steady income to shareholders and be a source of charity and "social good".

He says the bank faced "high costs", because of its small capital base, its need for high dollar liquidity, the lack of a hard currency-denominated home base and its lack of an official lender of last resort.

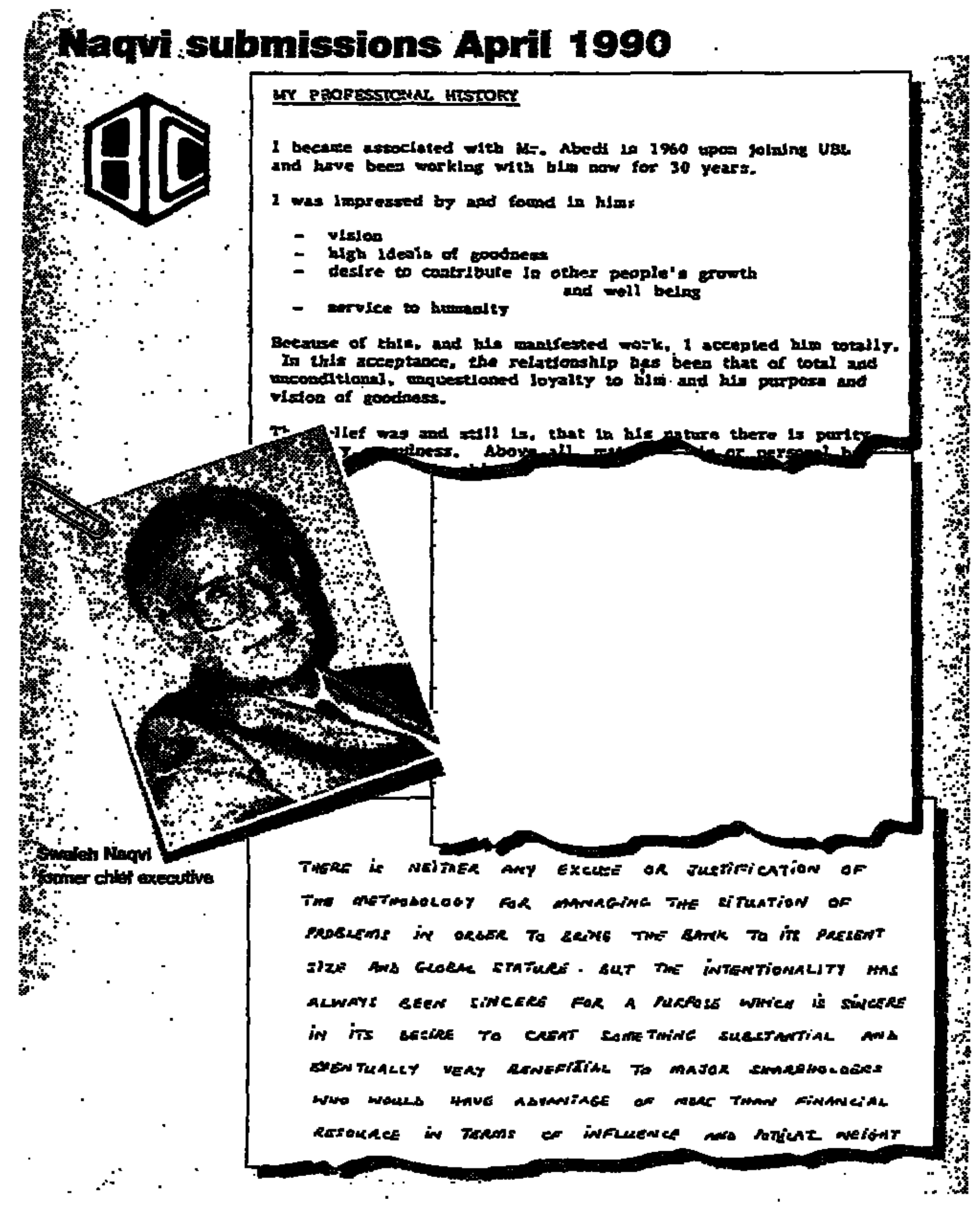
He says the decision by Bank of America, one of the initial large shareholders, to sell its stake in 1978 caused early problems for the bank.

It was subsequently hit by the recession in the Middle East with the fall in oil prices in the early 1980s, the property crisis in Hong Kong, the Egyptian foreign currency crisis and the recession in the shipping industry.

BCCI had become highly dependent on the Gokal group, which he described in April as resulting in accumulated losses of $1.3bn including interest. His estimate at the time of other non-performing loans was $500m including interest, although more accurate calculations since have inflated these figures further.

He says a fresh crisis was the decision of Sheikh Khalid bin Mahfouz, former chief operating officer of the National Commercial Bank of Saudi Arabia, to call on BCCI's pledge to buy back his shares, which led to a $435m loan from the Abu Dhabi Investment Authority in 1988.

He describes how treasury losses climbed to more than $1.2bn including interest, and a series of payments of more than $30m to members of the bank who might have revealed details of the large losses.



Swaleh Naqvi
former chief executive

NEWS IN BRIEF

Canberra moves to stop dock strike

The Australian government yesterday intervened to move more than A$100m (£49m) worth of exports which have been held up in a nationwide port strike, writes Emilia Tagaza in Melbourne.

Mr Laurie Brereton, industrial relations minister, asked the Transport Department to "do everything possible" to move stranded cargo using the only stevedore company, Conaust, which is not strike-bound.

This is the most significant intervention since the pilots' strike four years ago when the government mobilised Air Force jets and pilots to fly passengers. The strike began last week when Australian Stevedores sacked 55 workers in Sydney, the first compulsory port redundancies since the reform programme.

The government intervention in the dock strike was caused by a need to sustain the economic recovery, which has been helped by improving exports.

Indonesia keeps trade rights

Indonesia will keep US trade privileges for at least six months because of progress in ensuring the rights of workers, Mr Mickey Kantor, the US trade representative, said, AP reports from Jakarta.

In a statement released by the US Embassy in Jakarta, Washington is suspending a review of labour rights in Jakarta for six months. Jakarta will retain duty-free privileges under the Generalised System of Preferences, under which tariff cuts and expanded quotas are granted to encourage exports in some developing countries.

UN inspectors in Baghdad

United Nations inspectors yesterday arrived in Baghdad to visit military plants to prepare for long-term UN control and monitoring of Iraq's arms industry, Reuter reports from Manama. The 14 UN experts will visit a dozen military production facilities around Baghdad during their nine-day stay.

The UN Special Commission dismantling Iraqi weapons under 1991 Gulf ceasefire terms is stepping up pressure to enforce UN resolution 715 preventing Baghdad from re-establishing its previous nuclear, chemical, biological and long-range missile potential.

Taiwan plans direct vote

Taiwan's ruling Nationalist party is to introduce direct presidential elections by popular vote as part of democratic reforms, Reuter reports from Taipei. A 13-member party committee, headed by Vice President Li Yuan-zu, unanimously decided that future presidents and vice-presidents should be elected by popular vote, a spokesman said. The committee also decided future presidents can be dismissed by a popular vote if two-thirds of the National Assembly pass a recall motion.

Sumatra earthquake kills 184

The death toll from an earthquake that shook Indonesia's Sumatra island has reached 184, agencies report from Liwa, Indonesia. Aftershocks continued in the Liwa area late yesterday evening.

Hariri urges Assad to rein in Hizbollah

By Mark Nicholson in Cairo

Mr Rafik Hariri, Lebanon's prime minister, held talks in Damascus yesterday in an effort to persuade Syria's President Hafez al-Assad to prevail upon Hizbollah fighters to curb intensified violence in south Lebanon which has raised the threat of a punitive Israeli military operation.

Mr Hariri's trip followed the Lebanese government's receipt of a letter from Mr Warren Christopher, US secretary of state, in which he warned that the renewed violence in the south was "very dangerous" and risked "torpedoing" the resumed peace talks between Israel, Syria and Lebanon in Washington.

Syria exerts considerable influence, if not control, over the pro-Iranian Hizbollah, which Mr Assad considers a valuable card in his peace negotiations with Israel. Syria, under intense US and Israeli pressure, last July agreed to curb Hizbollah activity after a series of rocket attacks into north Israel prompted a massive week-long bombardment of dozens of villages in south Lebanon.

Skirmishes continued at a lower level inside Israel's self-declared "security zone" in south Lebanon, but then escalated significantly earlier this month when Hizbollah fighters killed four Israeli soldiers in an ambush. Israel retaliated with three air raids into south Lebanon.

On Wednesday Hizbollah fired a Katyusha rocket into northern Israel for the first time since the pro-Iranian group reached its "gentleman's agreement" last July to restrict all attacks against Israel and its proxies to within the "security zone". The rocket damaged a factory, but no-one was reported injured.

Israel has called on the Lebanese government to disarm Hizbollah. Mr Hariri and his government have repeatedly said they cannot and will not do so while Israeli forces continue to occupy parts of south Lebanon.

In a spate of Israeli-Arab clashes yesterday, an Israeli soldier shot dead a Palestinian man at an army checkpoint near Jenin in the West Bank, and an Israeli guard at a building site in the southern port town of Ashdod was stabbed to death, apparently by a Palestinian, writes David Horovitz in Jerusalem. Another Israeli, stabbed by Palestinian militants near Hebron six weeks ago, died of his wounds yesterday. And at least four Palestinians were shot and wounded in clashes with the army in the West Bank town of Halhoul.

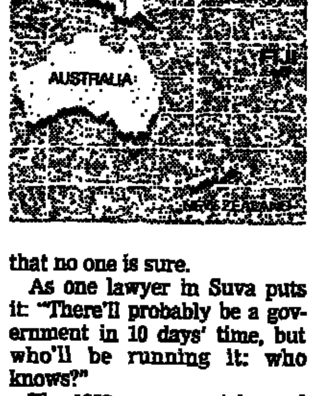
A divided Fiji faces further division

Nikki Tait finds uncertainty surrounding the islands' general election today

The parish hall on the outskirts of Suva, Fiji's capital, is spartan and airless. Undeterred, hundreds of Fijians are packing into the final rally held by the prime minister, Colonel Sitiveni Rabuka, before the general election today. Kava-drinking is under way, leading to a ceremonial welcome, speeches and prayers.

Outside, matters are less harmonious. The Indian taxi drivers are getting fretful, and a local scrap is brewing. "These Fijians sit on my car," complains one, shaking a fist. "I chase them away, but they keep coming back."

Trivial though the incident seems, it is a reminder of the racial tensions that lurk behind Fiji's sandy beaches and graceful palms. These were acute enough to cost Fiji its democratic system altogether in 1987, when it became the first South Pacific country to have a military coup. Even now, with the electoral process partly restored, there is little certainty about where the week-long polling by the country's 330,000 voters will lead. A repeat of 1987 is not deemed likely, but other than that no one is sure.



As one lawyer in Suva puts it: "There'll probably be a government in 10 days' time, but who'll be running it: who knows?"

The 1987 coup was triggered by fears that the economically dominant Indian community was securing political advantage as well. Col Rabuka walked into the parliament building with a group of soldiers and ousted what was viewed as an Indian-dominated coalition government. After four uneasy months of negotiations, he followed up with a second power grab, revoking the country's 1970 constitution.

The international community's fears of an Idi Amin-style regime with persecution and expulsion of Indians, were not realised. Many Indians did leave Fiji, so that they now constitute only 45 per cent of the islands' 760,000 population. Seven years ago more than half the population was Indian.

However, Col Rabuka quickly deregulated much of the economy, giving it an export-oriented emphasis. The manufacturing sector expanded significantly, thanks partly to the introduction of tax-free factory zones and the ability to export garments, duty free, to Australia and New Zealand. Tourists, scared off by the military action, returned.

In 1992, Fiji held national elections – albeit under a 1990 constitution that guarantees indigenous Fijians a majority of the 70-seat parliament. Col Rabuka's SVT party picked up 30 of a possible 37 seats. Through a coalition with the General Voters' party, which holds the five general (non-Fijian, non-Indian) seats, it was able to govern.

The tables turned on Col Rabuka last November. Seven of his SVT MPs refused to pass the 1994 budget, causing him to call an election.

On the surface, the dissidents' concerns centred on government overspending, including almost F$10m (£4.6m) by the army last year. But few observers think that was the only issue. There had been allegations of government mismanagement in other areas by Col Rabuka's critics, ranging from nepotism and unfulfilled promises, to a messy scandal – involving a local businessman, Tony Stephens – in which the prime minister was implicated.

The upshot of the dissidents' action was the formation of a new party called the Fijian Association. This SVT rival is headed by Mr Josevata Kamikamica, a former finance minister and a challenger for the prime minister's job after the 1992 election.

On paper, the manifestos of the Fijian Association and the SVT differ little. But the respected, Australian-educated Mr Kamikamica has talked of bringing Indian MPs into the cabinet, and his softer style contrasts sharply with Col Rabuka's. For the first time, the indigenous Fijian community – including its powerful chiefs – is seriously split.

The Indian vote, by contrast, has been divided for some time.

In 1992, 13 of the community's 27 seats went to Mahendra Chaudry's Fiji Labour party, and 14 to the National Federation party led by Jai Ram Reddy, a lawyer.

Both parties recognise the two overriding concerns of the Indian community: to make some progress on overhauling the racially biased constitution and to resolve the issue of the thousands of 30-year farming leases, which begin to expire in 1996. Most of these are held by Fiji-Indian sugar cane growers, on Fijian-owned land.

All that can be said with certainty is that the political instability helps no one. The country is operating without an approved budget for the current year, and investment, especially re-investment by the Indian community, is at a low ebb. Anything which threatens the tourism business – Fiji's largest foreign exchange earner, generating almost F$330m in 1992 – is also unwelcome.

Central player in Japanese political drama

By William Dawkins in Tokyo

Japan's political upheavals over the past month have been a painful yet exhilarating experience for Mr Shigeru Ito.

He has spent most of that time attending meetings in smoke filled restaurants and government offices, "watching history walk in front of my eyes". Mr Ito, transport minister, confesses to taking the occasional cat-nap at the conference table, to make up for his hectic schedule allowing him only four to five hours of sleep per night.

As top political theorist in the Social Democratic Party, the largest and most rebellious member of the governing seven-party coalition, Mr Ito has been a central figure in the stormiest days in Japanese politics.

His party nearly destroyed the government's political reform plans last month and then, 10 days ago, forced Mr Morihiro Hosokawa, prime minister, to shelve plans for a rise in sales tax, in a spectacular U-turn which obliged him to redesign Japan's largest ever economic pump-priming package.

Mr Ito was at Socialist party headquarters with the party chairman and secretary general, when Mr Hosokawa called a televised press conference to announce his proposed tax increase in the early hours of February 3. "I can only say it astounded us. It was such an abrupt thing," said Mr Ito, whose party was elected on a pledge not to increase sales tax.

The trio discussed tactics before going to bed at 3am. Mr Ito was in his ministerial office by 8am to clear up some routine business before he and the five other Socialists in Mr Hosokawa's cabinet called on the prime minister at 11am to protest.

The meeting started calmly, as the Socialists explained that despite their election dogma, they could reluctantly compromise on tax if only Mr Hosokawa would first go through the usual consensus forming and consultation process.

But the temperature unexpectedly rose when Mr Masayoshi Takemura, chief cabinet secretary, stormed into the meeting room, scarlet with fury. The Socialists were astonished to learn that the tax announcement was also a surprise to Mr Takemura, who is supposed to be the prime ministers' closest assistant, as government spokesman.

It took five days for Mr Hosokawa to change his mind on tax, during which "there was a constant stream of extraordinary cabinet meetings. I felt as if there was no difference between night and day," says Mr Ito.

There have been moments of real distress for Mr Ito. He winces as he recalls how 17 Socialist members of the upper house crossed the floor to vote down the government's political reform bills last month, forcing Mr Hosokawa to make a compromise with the opposition Liberal Democratic Party to get a majority for the plans.

"They are my long-standing friends and I feel personal pain that we now have to exclude them from the party. In the old days, the left and right wings of the party were free to advocate what they liked." Now that the Socialists are in government, for the first time in 47 years, "people who cannot follow party resolutions must be excluded," he says.

Despite Mr Hosokawa's tax furore, Mr Ito likes his straight talking style, a contrast to the elliptical pomposity of previous LDP prime ministers.

"He makes decisions fast and changes his mind just as fast. He doesn't really struggle over it. That is both good and bad," says Mr Ito." Maybe it's just the modern way."

Despite his new generation image, the prime minister also keeps a certain distance from his colleagues, attracting allegations of conceit from the Japanese press. "When he listens to you, his expression does not change...I went to his office the other day to say it was stupid to have a confrontation with the US. He just nodded," says Mr Ito.

Inadequate communication between the coalition members – including Mr Hosokawa – is also a factor in the recent political chaos, Mr Ito believes.

He has an endearing practical solution in mind, which he plans to propose at a future cabinet meeting: the creation of a cabinet ministers' tea-room in the prime minister's residence. If the feudal lord agrees, those lengthy political wrangles should get shorter and less disagreeable.

Government lawyers doctored Iraq papers

By John Mason, Law Courts Correspondent

British government lawyers doctored official papers in an attempt to stop the Matrix-Churchill trial judge seeing confidential Whitehall documents crucial to the acquittal of three businessmen charged with breaching rules over exports to Iraq, the Scott inquiry was told yesterday.

Mr Andrew Leithead, an assistant Treasury solicitor, admitted that government lawyers, as well as ministers, were involved in attempts to suppress sensitive information about sales of arms-making equipment to Iraq.

His evidence is the first to show the extent of government lawyers' involvement in the alleged cover-up of the relaxation of the guidelines for exporting such equipment.

Mr Leithead made the admission under questioning over the government's controversial use of public interest immunity (PII) certificates to suppress official information.

Challenged over the general policy for seeking PII certificates in criminal trials, Mr Leithead said the government took a "generous view" of what should be suppressed.

The government's view was that high and middle order information should not be disclosed as a matter of policy.

"It is damaging to the public interest to have any part of the decision-making process made public," he said.

The documents recorded ministers' decision to relax the guidelines. Before the trial in October 1992, the judge rejected calls from government lawyers for PII certificates to be granted to prevent the disclosure of the documents in the trial.

Mr Leithead agreed with Lord Justice Scott that he and Customs prosecutors had previously altered documentation relating to the certificates. This was a tactic to prevent the judge asking to see the documents in the first place – before he would have to decide whether they should be suppressed.

Asked if this was legitimate, Mr Leithead said he had not been happy, but the decision had been taken by Mr Alan Moses QC, the barrister prosecuting for Customs.

Mr Leithead said it was not the function of ministers to decide whether disclosure of documents would damage the public interest. The accepted practice was to leave this to trial judges.

Mr Michael Heseltine, the trade and industry secretary, had been wrong when, thinking the defence had a right to see the papers, he initially refused to sign his certificate, Mr Leithead said. Mr Heseltine later joined three other ministers in signing the certificates.

Mr Leithead was also challenged why he and other government officials had rewritten a witness statement submitted to the court by Mr Anthony Steadman, a former DTI export licensing head. "It would be wrong to put words into his mouth if they were not correct, but where you have a civil servant giving evidence on behalf of a department, many hands contribute," he said.

Euro-poll set to revive Tories' Maastricht row

By Philip Stephens, Political Editor

The pro-European wing of the Conservative party has voiced fresh concerns about the government's campaign for the European elections amid signs that the forthcoming poll is already reviving the party's divisions over the Maastricht treaty.

Senior figures in the Positive Europe group, which represents about 90 backbench MPs, plan to protest to Mr Douglas Hurd, the foreign secretary, that the Euro-sceptic right of the party is making the running in the campaign.

The pro-Europeans fear that the tone of recent statements by Sir Norman Fowler, the party chairman, and Mr John Major suggest that the Conservatives might retreat into "Brussels-bashing" in the run-up to the June elections.

They want Mr Hurd to make it clear to those running the campaign that the government draws a clear distinction between the institutions of the European Union and who controls them.

The Tory right has made the growing powers of the European institutions – including the parliament as well as the Commission – the focus of their attacks.

But the Positive Europe group believes that such a strategy would simply deter Conservatives supporters from voting in the election. Instead it wants the campaign to emphasise the need for the Conservatives not to allow the institutions to remain under socialist control.

That approach is backed by Mr Hurd. But pro-European Tory MPs believe that it is being undercut both by right-wing cabinet ministers by the tactics favoured in Conservative Central Office. One Euro-sceptic cabinet minister was heard recently saying that the campaign would be based on "keeping Britain British".

Pro-European MPs are privately warning that if Mr Major backs that approach his leadership will come under strong attack from the centre and left of the party in the event the Conservatives suffer significant losses in the election.

● The government yesterday disclosed that tax rises from April 1995 will cost a family on average earnings more than £1,000 per year.

If reductions in mortgage tax relief are added to the official figures Labour said the total tax rise would be more than £1,250 a year – the so-called "tax bombshell" the Conservatives accused Labour of planning during the last election campaign.

Mr Gordon Brown, shadow chancellor, said: "In the interests of honesty and standards the Tories should now put up billboards in every constituency saying the Conservative government is responsible for the £1,000 plus tax rise."

Confirmation of the new tax increases were contained in a written answer from Mr Stephen Dorrell, Treasury financial secretary, to Ms Harriet Harman, Labour's Treasury spokesman.

Major scores a quiet victory

Philip Stephens reflects on the prime minister's trip to Moscow

There was an air of quiet celebration in 10 Downing Street yesterday. Mr John Major's three-day visit to Moscow may not have been the most exciting of events. But nor had it been, like most previous trips, an unmitigated disaster.

The Westminster journalists who have dogged and disrupted the prime minister when he has travelled abroad in the past came home late on Wednesday night more or less relatively empty-handed.

There had been occasional mishaps for Mr Major in Moscow. The tabloids mocked his appearance in a Russian fur hat. The television cameras caught him looking awkwardly unsure of himself during an official dinner with Russian President Boris Yeltsin.

But there was nothing comparable to string of disasters when he toured the Far East last autumn. During that trip the agenda had been set entirely by the press. Mr Major, bombarded about the divisions and unrest in the Conservative party, was provoked into a series of intemperate attacks on his critics. The resultant headlines were universally bad.

In Moscow it was different. Mr Major's government is still beset by domestic trouble. Just before he left another junior member of the government had been obliged to resign because of his personal conduct. The back to basics initiative has been reduced to a shambles.

But on this occasion the prime minister decided to set his own terms for the contacts with the travelling press which dominate news coverage of such visits.

He decided from the outset that he would not be harried by the inevitable questions about his domestic difficulties. In interviews and press conferences during the trip he politely rebuffed any questions about back to basics or the sexual proclivities of members of his government.

There were no angry outbursts, no ill-judged answers. Instead Mr Major insisted on talking about the issues behind his Moscow talks – the situation in Bosnia, Anglo-Russian relations and the stalling pace of economic reform in Russia.

Much of the credit for such careful news management was given to Mr Christopher Meyer, the prime minister's newly appointed press secretary. On his first foreign trip Mr Meyer was determined to maintain control of the press.

So he mixed blunt warnings that the prime minister would not respond to questions about back to basics with a carefully timed flow of "news nuggets" to keep the media – and especially the tabloids – occupied. By and large it worked.

Mr Major's own attitude may have been the critical factor. After enduring the worst press of any prime minister since the then Mr Harold Wilson in 1968, Mr Major appeared ready to take the advice of his ministerial colleagues and officials to inject distance and formality into his links with journalists.

Hence there were none of the off-the-cuff conversations which have hitherto got him into so much trouble. His appearances were carefully controlled and always tape-recorded by aides.

Having pulled it off once, Mr Major, with the help of Mr Meyer, is promising more of the same when he meets President Bill Clinton for a potentially difficult meeting in Washington in 10 days.

The prime minister knows he cannot afford to provide the excuse that critics are looking for to pronounce the death of the special relationship.

Some are already suggesting his relations with Mr Clinton are as brusque as those between Mr Neil Kinnock, the then Labour leader, and President Ronald Reagan during the 1980s.

On the evidence of Moscow, Mr Major should succeed. He needs to. The domestic pressures on his premiership over the next few months will be bad enough even without any more accidents abroad.

Despite domestic difficulties, John Major successfully set his own agenda and managed the news during the Moscow trip Picture: Reuter

Britain in brief

Sell-off of atomic agency is confirmed

The government yesterday confirmed its intention to privatise the Atomic Energy Authority, which led the development of the UK's nuclear power industry for the past 40 years.

Mr Tim Eggar, the energy minister, said decisions on the form of privatisation will be taken in due course. Among the factors that would be taken into account were the authority's performance in the market place, and the extent to which various sale options would meet customer requirements, enhance competition, help to improve UK competitiveness and maximise the return for the taxpayer.

Mr Eggar also confirmed that the government would retain those parts of the authority which have nuclear liabilities, principally experimental reactors which will have to be decommissioned, and radioactive waste removed.

Tax rises 'will slow recovery'

The UK economic recovery will slow in 1995 because of the impact of April's planned tax increases, says a London Business School forecast. It expects growth in UK gross domestic product to fall to 2.2 per cent in 1995, after 2.5 per cent this year.

The latest edition of the LBS's Economic Outlook says that tax increases of a similar magnitude have only been imposed three times over the past 30 years.

On each occasion the result was sluggish growth in consumer spending. The same impact will be seen this time, with the LBS forecasting a rise of just 1.1 per cent in consumer spending in 1995.

It also predicts that inflation will sit in the top half of the government's 1 per cent to 4 per cent target range until 1997. It forecasts that underlying inflation (excluding mortgage payments) will be 3.1 per cent in 1994, 3.4 per cent in 1995, 3.3 per cent in 1996 and 3.1 per cent in 1997.

As a result, the LBS expects the government to raise interest rates in 1995. It predicts that base rates will average 5.8 per cent in 1995 and 6.4 per cent in 1996, before falling back to 5.5 per cent in 1997. Rising rates will reinforce the slowdown in economic activity.

Unemployment will fall, according to the LBS, but only as far as 2.4m in 1997.

Pensions move is considered

Thousands of public-sector workers who transferred into private pension plans could find it easier to be readmitted to their old schemes under a possible change in the law being considered by the government.

The move, which follows widespread concern about potential mis-selling of pension transfers, would be directed at former members of statute-based occupational schemes, such that in the National Health Service.

Public sector pension schemes offer some of the best benefits in the UK, including inflation-linked pension payments and early retirement provisions. However, members of some of these schemes have been targeted by insurance sales agents and many have been sold private plans.

Unease about the selling of pension transfers surfaced late last year after a study by accountancy firm KPMG Peat Marwick suggested that in nine out of 10 cases, regulators' standards had not been met. Hundreds of thousands of customers may have been affected.

Glaxo hit by counterfeit drug

Glaxo, the UK's biggest pharmaceutical company, has been the victim of a counterfeiting of its top selling anti-ulcer drug Zantac for the first time since 1989.

The fraud has prompted the Medicines Control Agency, an arm of the Department of Health, to send a drug alert to the 60,000 doctors and pharmacists practising in the UK.

Counterfeiting of drugs is widespread in south and eastern Europe but is relatively rare in the UK.

Glaxo said that it first became aware of the problem shortly before Christmas when a patient in London became suspicious and sent in pills for examination. Tests showed the tablets, which were packaged as Azantac 771, the French trade mark, were counterfeit. The tablets were discoloured and missing the second 'A' in the embossed 'Azantac' logo.

Pilkington lifts glass prices

Pilkington, the glass group, is attempting to increase its European prices, in a move which would raise pressure on UK construction groups already operating on thin margins.

Pilkington has raised its basic UK glass price by 6 per cent, while its prices in continental Europe have increased by an average of 9 per cent.

Mr Andrew Robb, finance director said that glass prices had fallen by 30 per cent over the past three years. He added: "We are only trying to recover lost ground".

It is the second time in 12 months that the company has tried to raise prices. In February last year it increased prices by 8 per cent only to see this eroded as the year progressed.

Dead can now rest in peace

Civil engineers at Newcastle University have come up with a novel solution to the problem of vandals pushing over graveyard headstones. They have developed a simple low-cost ground anchor, combined with a locking system.

Govan in profit for first time in 30 years

By Karen Fossli in Oslo and David Lascelles

The long-troubled Govan shipyard on the Clyde made its first profit in 30 years last year, its owners, Norwegian-based Kvaerner group, said yesterday.

Kvaerner described the profit as "small" and declined to give a precise figure. But it forecast a profit for this year of \$4-\$5m.

Mr Jan Magne Heggelund, Kvaerner's senior vice-president for finance, said that Govan's order book was well filled into 1995, including four chemical tankers, and the last ship currently under construction was not due for delivery until late 1996.

When asked about the longer term outlook, Mr Heggelund, said: "We are working on various projects."

Kvaerner acquired the Govan yard – which employs 1,500 – from British Shipbuilders in 1988 for £6m, and has invested heavily in raising its efficiency since then.

The yard's fortunes were improved largely because of effects of a far-reaching restructuring and measures taken to improve efficiency as it secured orders valued at NKr853m compared with no new orders in 1992. Order reserves stood at NKr2bn at the end of 1993 against NKr2.7bn a year earlier.

In 1992 Govan hired Mr Kjell Mikalsen as president who had earlier succeeded in turning around the Kleven yard in Norway, the group's most efficient shipyard.

On May 17 1992 – Norway's national holiday – Mr Mikalsen sacked the yard's entire staff but rehired them after negotiating new contracts on better terms for the company.

Mr Heggelund said the company would continue to invest in order to maintain the yard's competitive position, but there were no plans to expand its capacity.

Drop in exports hits UK car production

By Kevin Done, Motor Industry Correspondent

UK car production fell 7.7 per cent in January to 100,711 from 109,127 in the same month a year ago, the Society of Motor Manufacturers and Traders said yesterday.

Output was depressed by a sharp fall in production for export. Car production rose by 6.5 per cent in the whole of last year to 1.38m, the highest since 1974. But output has been lower than a year earlier in three of the past four months. Output for export markets has been hit by the weakness of new car demand in continental European markets, which has offset the rise in production for the UK market.

Car production for export in January fell 27 per cent year-on-year to 36,724, while output for the domestic market rose 8.8 per cent to 63,987.

Vehicle output is still being affected by short-time working at several plants. The Nissan car plant at Sunderland has been forced to abandon its second shift for four months and will not resume night-shift working until early March.

The steep fall in commercial vehicle output continued in January with a year-on-year decline of 12.1 per cent to 16,531 from 18,813. This sector, which suffered last year from the collapse of the former Daf group, fell sharply in 1993 by 22.2 per cent to 193,414, the lowest level since the 1940s.

● Daewoo Motor, the South Korean vehicle maker, is setting up a design and engineering centre in the UK.

It has taken over facilities and staff of International Automotive Design (IAD) in Worthing, West Sussex, where it is planning to establish the Daewoo Worthing Technical Centre.

IAD, formerly a leading UK automotive design and engineering company, was taken over from the receiver last year by Mayflower, the specialist automotive engineering group.

The move by Daewoo Motor is a bold step by the smallest of the big three Korean carmakers to create a global design and engineering presence in order to accelerate the development of its new vehicle programme.

Daewoo Motor has ambitious plans to establish itself as one of the world's top 10 vehicle makers and is seeking to more than triple its production capacity worldwide. It also recently purchased a 51 per cent stake in Oltcit, a Romanian vehicle maker, to provide it with its first production base in Europe.

Train of progress in Ulster poised to leave the station

David Owen reviews the current obstacles facing the talks process

The gamble appears to have failed. Now it is time to revert to more orthodox methods.

With hopes of an early IRA response to the Downing Street declaration fading fast, London has been trying to inject momentum into the three-year-old talks process with Ulster's non-violent political parties.

It badly needs a success while Northern Ireland is close to the top of the political agenda to prevent the impetus behind the drive for a lasting settlement for the province from draining away.

There are also hopes that progress in the political talks might yet be the lever that persuades republican leaders to ditch the armed struggle. As Dr John Alderdice of the Alliance party puts it: "As Sinn Féin sees the train drawing out of the station, they may be prepared to jump on board."

In spite of this political imperative, all the signs are that London will have to be patient, however, and success is far from assured.

The words with which Rev Ian Paisley greeted the then Northern Ireland secretary Mr Peter Brooke's announcement in March 1991 that a basis for formal political talks existed still seem apposite.

"The gate into the field has been opened," the leader of the hardline Democratic Unionist party said at the time. "But . . there is a lot of hard ploughing in front of us."

The main problem areas appear to be as follows:

● The "nothing is agreed until everything is agreed" formula.

This, by definition, precludes the possibility of gradual progress. Every syllable and punctuation mark has to be agreed to before anything can be set in stone.

Mr John Hume, leader of the mainly Catholic Social Democratic and Labour party, regards the principle as "crucially important". It ensures the talks address all the relationships – within Northern Ireland, between north and south, and between the two governments, he says.

An agreement confined to the question of "who wields power in Northern Ireland" would not necessarily solve the province's problems, Mr Hume believes.

Unionists, though, favour a less ambitious framework paving the way for a return to devolved government in Ulster, independent of what might be agreed in the other two "strands" of the talks process.

They point out that a blueprint for an Ulster assembly was drawn up by a working party comprising all four constitutional parties during the talks initiated by Mr Brooke.

Mr Paisley says openly that, as far as he is concerned, the formula no longer applies. It was exposed as a "fallacy" during the "failed" Brooke talks process, he says.

● How to handle the relationship between the north and Dublin.

There is no disguising the *fundamental differences* between the participants on this second strand of the talks process, even when it is considered in isolation from strands one and three.

An Ulster Unionist party *document to be published* before the end of this month will argue that the relationship should be handled by ad hoc meetings between Irish ministers and Ulster assembly representatives. But proposals *implying that no separate* north-south institution – such as a dedicated secretariat – is necessary would probably be anathema to the SDLP and to Dublin.

● The DUP's boycott of the talks.

Not only is Sinn Féin excluded from the talks process. So at present is the DUP. While this could make agreement between those who are participating less difficult to achieve, it might also undermine its effectiveness.

The current DUP line is that it will not return to the talks until London explicitly rules out any possibility of a united Ireland. One senior DUP official says London would have to "embark on a new security policy that demonstrates the British are here to stay, irrespective of consent".

● The apparent inability to prevent a continuation of terrorist violence.

It is in Mr Hume's words "quite obvious" that the prospects of success would be improved immeasurably if the talks took place "in an atmosphere of total peace".

That is why the SDLP leader says he has pleaded for patience in awaiting Sinn Féin's response to the joint declaration.

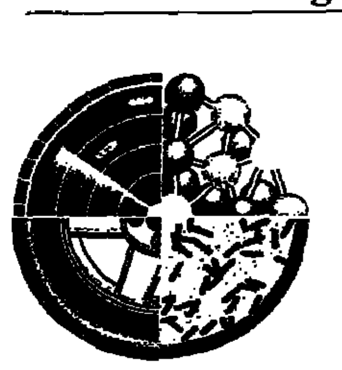
But can a cessation of violence be delivered even in the event of an end to the IRA's 25-year campaign? Mr Paisley, for one, is pessimistic.

He warns it is "quite on the cards" that loyalist paramilitaries are not just reacting to IRA violence but "carrying on a campaign because of Dublin interference in the affairs of Northern Ireland". This "leads to a far more serious situation than mere reaction to killing by the IRA".

Leaders of Ulster's main constitutional parties, clockwise from left: James Molyneaux, John Hume Ian Paisley and John Alderdice

TECHNOLOGY

Worth Watching · Della Bradshaw



Papaya's new role as a contraceptive

Eating a papaya fruit can be a powerful method of contraception in women.

Scientific researchers at the University of Sussex, in Brighton, have shown that papain, an enzyme found in papaya, attacks progesterone, a critical hormone for conception and pregnancy. When the papain interacts with a particular protein in the blood it becomes up to 24 times as powerful as when in its natural state.

The findings, which could lead to new methods of contraception, will not be news to women in India and Sri Lanka, who have been eating papaya for generations to prevent conception.

University of Sussex, UK, 0273 678453.

Milk-based product fights rotavirus

One of the world's biggest killers of young children, rotavirus gastroenteritis, could itself be under threat, with the help of the common dairy cow.

Scientists in Adelaide, South Australia, have devised a milk-based product which gives children immunity from the rotavirus by preventing it from invading the lining cells of the gut, the cause of diarrhoea.

The potion, called Gastrogard, is made by injecting cows with a special vaccine prior to calving. When the cow then produces, colostrum, the super-rich milk made after birth, it contains antibodies against the rotavirus. When administered to children, the antibodies bind to the rotavirus.

Although presenting most danger to children in third world countries, the rotavirus is also a problem in children's hospitals and care centres. Production of the Gastrogard powder will begin next year at the South Australian Research and Development Institute.

Sardi: Australia, 8 266 2266.

Light-emitting diode is 'brightest yet'

The US electronics company Hewlett-Packard has developed what it claims is the world's brightest light-emitting diode.

Clusters of the chips, which are up to four times brighter than existing devices, could replace ordinary incandescent light bulbs where long life and reliability are required, such as in traffic lights.

The breakthrough has been achieved through the development of a transparent gallium phosphide substrate which enables significantly more light to emit from the diode than did the traditional substrate, light-absorbing gallium arsenide.

The new LEDs should be available within the next six months.

Hewlett-Packard: US, 415 857 1501.

Old car tyres put brakes on noise

In a move designed to reduce environmental noise while disposing of used car tyres, the Paris-based company ACIAL has developed an acoustic barrier comprising a metal casing with half-tyres stacked inside.

The side of the casing facing the noise is made from perforated sheet metal to focus the noise towards the shells formed by the halved tyres. There it is damped and absorbed. For frequencies between 250 and 2000 Hz – the frequency of heavy traffic noise – up to 85 per cent of the noise is absorbed.

ACIAL: France, 1 44 92 18 37.

Combined CD and mini-disc system

The latest in Japanese consumer electronics is the combined compact disc and mini-disc system which enables music lovers to compile their own mini-disc from a selection of their favourite CD tracks.

Developed by Sharp, and resembling a radio-cassette player, the MD-Z1 dubs CD tracks on to the recordable mini-disc at the touch of a button.

Sharp: Japan, 06 625 3007.

As seen on TV: surgeons using the Virtual Clinic can observe organs reacting in a realistic way to their stimuli

Sugar cubes to virtual blood

A three-dimensional simulator could soon be used to train British surgeons, reports David Traherne

The technique of inserting a tiny camera and surgical instruments down tubes into the human abdominal cavity – keyhole or laparoscopic surgery – revolutionised operations in the mid-1980s when it was first used in the US.

Since then, the technique, which in most cases reduces scarring and cuts post-operative recovery time, has swept through Europe. Today, some 75 per cent of gall-bladder operations in the UK use laparoscopic techniques.

But this technology has required surgeons to develop new skills. They have to perform a three-dimensional operation while watching a two-dimensional television screen. Also, because the instruments pivot on the abdominal wall, when the surgeon moves his hand to the right the instrument inside the body moves to the left.

In some European countries, surgeons can practise these techniques on anaesthetised animals. But in the UK, Home Office regulations prevent the use of livestock. In the early days of laparoscopic surgery, British surgeons travelled abroad to develop their skills. But to train in the UK, in most cases, they have had to use laparoscopic trainers (surgical instruments inserted into boxes) and practise on foodstuffs – for instance, by stacking sugar cubes and stitching chicken legs.

But this could change under a joint initiative from the Department of Health and the Wolfson Foundation to establish research centres in England and Scotland.

One will be based at Manchester Royal Infirmary; part of its role will be to develop a virtual reality simulator to help train surgeons in laparoscopic techniques. The centre is part of a broader, nationwide initiative by the foundation and the department.

"We plan to collaborate closely with industry because there have been a number of developments in this field. Eventually, we hope to come up with our own practical simulator into which we can put several three-dimensional operations," explains Rory McCloy, a consultant surgeon at Manchester Royal Infirmary and clinical director of the project.

To gauge the suitability of technology in this field, the Manchester centre has linked up with Advanced Robotics Research, a small company at Salford University. Together they plan to develop a 3-D anatomical simulator which will enable junior surgeons to practise minimally invasive surgery in a virtual world.

Advanced Robotics, which also runs a number of virtual reality research programmes in the engineering sector, will work with McCloy. During the three-year project, Advanced Robotics plans to draw on both its own and outside expertise, says Robert Stone, the company's technical manager and virtual reality director for the simulator project.

Stone says part of his job will be to form an advisory group. The aim is to bring together "what have until recently been quite diverse and unfocused technologies into a single centre to develop cost-effective virtual trainers".

He says the US is much more involved than the UK in virtual reality and medicine. He has invited James Coleman, a surgeon and European medical director for Davis & Geck, the surgical division of Cyanamid, the US drugs company, to join the advisory committee. Stone is also in touch with Marconi Simulation, part of GEC, and the engineering department at Cambridge University.

Coleman, based at Cyanamid's London research centre, is also a consultant to Ciné-Med, a US company which makes medical education films. Ciné-Med has developed an advanced prototype simulator called Virtual Clinic. It comprises a graphics workstation which houses a "reality engine", software and a simulator comprising six-dimensional tracking devices, surgical instruments and a patient shell.

On a screen, surgeons can see virtual organs reacting to stimuli as they would in the real world. If an organ is cut, virtual blood flows from the wound and if dissected it becomes two separate objects. Ciné-Med plans to release the Virtual Clinic on to the world market next year, says Coleman, and the company hopes to set up a European research centre, possibly in the UK or Germany.

The joint research project between Manchester Royal Infirmary and Advanced Robotics is not about simply adopting a system, says Stone, but using all the resources it can to develop a virtual simulator which best suits the needs of UK surgeons. Coleman agrees that co-ordinated research will benefit the industry as a whole.

Advanced Robotics, for example, plans to develop special gloves which give the surgeon the feeling of touch and "force feedback".

"When you wear one of these gloves and hold, move or cut a virtual organ, the surgeon will be able to feel it," says McCloy. Stone describes the glove as an "exoskeleton [skin] in reverse". It applies force with a series of pressure pads to the hand inside it, and by linking the exoskeleton's motors to the virtual graphics a surgeon can "feel" forces as virtual tissue is pulled.

Another of the team's goals is to send virtual imagery down telephone lines, a move which one day may enable junior surgeons at different hospitals to practise operations on simulators linked to desktop computers.

"Virtual reality has been dismissed as arcade game surgery by some surgeons, but its importance is limited only by our imagination," says McCloy. "It's no substitute for operating on real people – but I think it could fill a very important gap between operating on sugar cubes and doing the real thing."

China exports Torch

Since China launched its Torch Programme in 1988, the cream of the country's 8m scientists and technicians has been mobilised in a big effort to exploit high technology.

So far, the 100,000 specialists chosen by the State Science and Technology Commission have developed more than 1,500 industrial applications in new materials, biotechnology, electronics, information technology, energy saving and environmental protection.

China is eager to reap more benefits from this effort by exporting new technology and finding foreign partners. Beijing is also keen to incorporate applications researched abroad into its own programme.

Thus China recently established a joint venture (to be known as Torch Overseas or Torch Worldwide) with Micro Electronics International Europa, a supplier of Chinese-made telecommunications equipment based in Portugal.

The new company will explore the market for Chinese technology, introduce advanced technology into China, supply equipment for high-tech production in China, foster joint ventures and promote foreign investment in Chinese projects.

"The Torch Programme is designed to take Chinese industry out of the 19th century into the 21st," says Roman von Rupp, the Lisbon-based president of MEI Europa. "The opportunities the programme offers to foreign companies are vast but most of the international business community has not yet become aware of it."

MEI manufactures telecommunications and other equipment in China, sometimes using Japanese technology. It has offices in Japan where it researches electronics projects.

A Torch delegation visited universities and research centres in Lisbon last November. Chinese authorities are examining the market potential of two applications developed in Portugal – one uses halogen lamps to grow low-cost thin ribbons of crystalline silicon, the other is a computer program for public transport planning.

Peter Wise

PEOPLE

MD moves from Electrolux to 'information warehouse'

Kevin Walsh, appointed managing director of the new retail division of On Demand Information, believes in wearing what he describes as "visionary spectacles".

He will find them necessary in his new job where he will have to persuade down-to-earth retailers that they can save money and sell more goods by renting space in his "information warehouse".

ODI is a new kind of company, which floated on the London market last year. Its founder, Graham Poulter, has developed an information system combining sound, text and pictures on a screen – multimedia, in other words. The retail division is about multimedia for the shop floor.

Walsh, only 40 years of age but a veteran of the retailing business, had spells at Reed Group, Kenwood and Singer before spending seven years at Electrolux where he is currently managing director of the domestic appliances division. He likes the "big group" feel of Electrolux, but the challenge of being in at the beginning of a new industry persuaded him to move to ODI.

He envisages retailers installing modified personal computers in their shops able to receive over telephone lines a stream of information from the "information warehouse" – essentially a large computer memory. Customers will be able to inspect products on the screen, receive interactive training in their use and order them directly from the manufacturer.

Walsh thinks that operations like ODI could render obsolete the use of CD-ROM systems in electronic retailing.

■ Nick de Jongh is quitting as director of external affairs at the Engineering Employers Federation to become director of public affairs at GKN, one of the federation's biggest members.

De Jongh's move at the end of April ends 19 years at the federation, whose role has changed, particularly in recent years. In his opinion, some new faces are needed among the senior officials. At GKN, he will replace John Southgate, who next month becomes Ford of Europe's vice-president for public and government affairs.

The federation is already looking for a new director-general following Neil Johnson's departure in November and the recent cancellation of plans to merge its central functions with those of the Confederation of British Industry.

Meanwhile John Rugman, GKN's head of human resources services, has been elected president of EEF West Midlands, the largest of the associations affiliated to the federation.

■ David Dry, formerly md of Ferguson International Holdings' label division, has been appointed md of H&R Johnson Tiles, part of NORCROS.

■ Andy Morris, Safeway retail director, has been appointed to the board of SAFEWAY STORES.

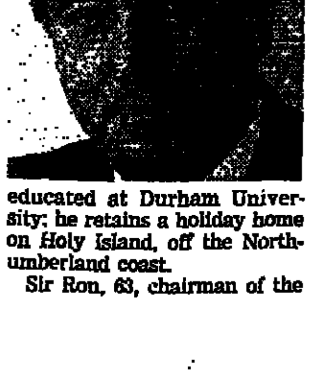
■ Pat Diamond, a former director of Storehouse, has been appointed group development director of FERGUSON INTERNATIONAL HOLDINGS.

■ Nicholas White, formerly coo of the Zale Corporation, has been appointed buying and merchandising director, and Dianne Thompson, director of marketing at Woolworths, as marketing director at SIGNET GROUP's UK Jewellery Board.

Sir George Russell to regenerate economy of his stamping-ground

Sir George Russell, chairman of the Independent Television Commission, is to succeed Sir Ron Dearing as chairman of the Northern Development Company, the economic regeneration body for north east England and Cumbria.

Both men have strong connections with the area; while in his thirties, Sir Ron became the regional director for a group of government departments charged with fostering industrial and commercial development.



Sir George (right), 58, non-executive chairman of both Marley and venture capital group 3i, was born in Gateshead and educated at Durham University; he retains a holiday home on Holy Island, off the Northumberland coast.

Sir Ron, 63, chairman of the Schools Curriculum and Assessment Authority and of the Camelot national lottery bid, steps down on March 31 from the chairmanship of the NDC after serving four years.

In Sir George, the NDC, a partnership formed in the mid-1980s by the private sector, local authorities and trades unions, has again found a high-profile public figure with a strong commitment to the region, coupled with disinterest in the £14,000 a year salary the NDC chairmanship carries. Sir Ron took only part of that sum and Sir George has indicated he will not be collecting any of it for himself.

Bodies politic

Michael Bett, deputy chairman of British Telecommunications, has been appointed non-executive chairman of the new national council which represents the 82 Training and Enterprise Councils in England and Wales.

He succeeds Edward Roberts, chairman of Heath Springs, who has acted as chairman of the national council since it was set up last summer. Before that, Roberts headed G10, the predecessor of the national council, which acted as a mouthpiece of Tecs to the government.

Bett has had a long commitment to training issues and was a board member of the Training Commission, formerly the Manpower Services Commission, from 1985-1989.

He has also been appointed the new pro-chancellor of Aston University.

■ Sir Mark Richmond, chairman of the Science and Engineering Research Council, has been appointed a trustee of the NATIONAL GALLERY.

■ Peter Drew, former chairman of the Taylor Woodrow Group who founded St Katharine by the Tower and the World Trade Centre, has been appointed a governor of the MUSEUM OF LONDON.

■ George Carter, former Birmingham area director of Lloyds Bank, has been appointed chief executive of BIRMINGHAM CHAMBER OF COMMERCE; he succeeds John Warburton who remains director general until he retires next November.

■ Ruth Lea, chief economist at Mitsubishi Bank, has been appointed a member of the NATIONAL CONSUMER COUNCIL.

■ Billy Carbutt, a partner of Ernst & Young, has been appointed chairman of the Distressed Gentlefolk's Aid Association, now known as HOMELIFE/DGAA.

■ Sir Denys Henderson, chairman of ICI and Zeneca, has been appointed the first president and chairman of the board of the BRITISH QUALITY FOUNDATION. Graham Franks, group commercial manager of ICI, is chief executive; other board members are: Peter Bonfield, chairman of ICL, Michael Hepher, group md of BT, Michael Heron, chairman of the Post Office, and Ken Sanders, md of Texas Instruments.

THE PROPERTY MARKET

Vanessa Houlder on the strategy that has made Burford one of the sector's fastest-growing groups

Minnow in a big pond

The announcement last week of a £103m acquisition by Burford has catapulted the UK group into the ranks of the country's top 10 companies in the property sector.

The deal prompted Kleinwort Benson, merchant bank, to describe Burford as an "outstanding company. The remarkable aspect of Burford is that the management has proved itself to be expert both in bull and bear markets."

The reason why Burford attracts such praise is a combination of conservative financial management, an ability to extract strong returns from difficult properties and a record of well-timed deals. But, above all, Burford's judgement of the market gyrations in recent years has made it one of the few property companies to survive the recession with its reputation enhanced.

Burford demonstrated a flair for timing by selling property totalling £92m in 1989-91, enabling it to make substantial investments at the bottom of the market. The company turned buyer in 1990-91; since then it has invested £250m in property. Last week's acquisition of 15 properties from hotel group Ladbroke, financed by a £100m rights issues, will push up Burford's market capitalisation to about £350m.

Burford likes to project itself as a conservative company with strong financial controls. "Our gearing [ratio of borrowing to equity] and cash-flow considerations come before anything else," said Mr Nick Leslau, chief executive.

He attributes much of the company's success to the presence of Mr Nigel Wray as executive chairman. Mr Wray, a financier, holds directorships with media group Carlton Communications, Singer & Friedlander, a merchant bank, and was recently appointed chairman of Carlisle, a property services group. He joined Burford in 1988 after his Chartsearch publishing company achieved a reverse takeover of Burford.

Mr Leslau argues that his property expertise and Mr Wray's financial skills give Burford an edge over most competitors, which tend to be dominated by a single entrepreneur.

The emphasis on tight controls at Burford is reflected in rigorous financial and management accounting, an emphasis on analysing the cash-flow of properties, a strict gearing limit of 100 per cent and a strong focus on government or blue-chip tenants, which account for 77 per cent of cash-flow.

Burford also adheres to what it calls the "Armageddon rule" – ie that if every tenant were to quit at the earliest opportunity the company would still be able to service its interest for another 15 years, assuming no tenant defaults.

Burford's ideal portfolio is an equal split between high-quality, institutional-grade property, high-yielding properties let to secure tenants and 'difficult' management-intensive properties that are capable of generating high returns.

An example of the latter is Heywood Business park, a warehouse distribution estate near Manchester which Burford bought from Control Securities last Christmas. The estate required an overhaul and a large percentage of its properties were unlet. "With these sort of deals, it is more like buying a business than a property investment," said Mr Leslau. "There is a tremendously exciting upside."

Following the Ladbroke deal, Burford will have a higher weighting than usual – by its standards – of top-quality property. Institutional-grade property comprises 80 per cent of the Ladbroke portfolio, increasing the percentage of this type of property in Burford's portfolio to 57 per cent.

Burford intends to rebalance its portfolio by borrowing against the Ladbroke acquisition. If Burford gears up to 100 per cent it will command £150m of buying power. It will also raise more cash by selling £35m-worth of small buildings from a portfolio currently valued at about £2.5m. Burford believes that it has reached a size where returns do not justify the expenditure of management time on small properties. "We have outgrown that type of property," he said.

Instead, it will concentrate on buying relatively big properties valued at £20m-£30m. Burford believes there is a gap in the market for buyers of this type of property. "They are too messy for institutions but too big for the vast majority of property companies," he said.

As well as concentrating on larger properties, Burford also intends to switch the focus of its portfolio. Over the past year, it has been buying institutional-type property in the belief that such a move would be the first step towards reaping the benefits of a general upturn in the economy.

Increasingly, however, the best returns are likely to come from secondary property, Mr Leslau said. These properties will be the main beneficiaries of rising rents and increasing levels of bank lending, he added. "Over the next three years, the more secondary property will out-perform dramatically."

Arguably, the sector of the market that will out-perform all others in the upswing of the property cycle is development activity. Burford, however, insists that it will play no part in this. "We will never speculatively develop," Mr Leslau said. First, the company lacks the skills necessary for this type of activity; second, the high risks associated with speculative ventures are at odds with Burford's conservative philosophy. "The psychology of developers and investors are poles apart," said Mr Leslau.

It remains to be seen whether Burford will continue to stand out in an increasingly competitive market. "The question is whether it can continue to perform from a much larger and at present lowly-geared base, both in terms of gross and net assets," said Kleinwort Benson.

Mr Leslau is confident that Burford will continue to win good deals. His confidence is inspired by the skills of his agent, a good knowledge of potential deals and a concentration on a relatively unfashionable size and type of property.

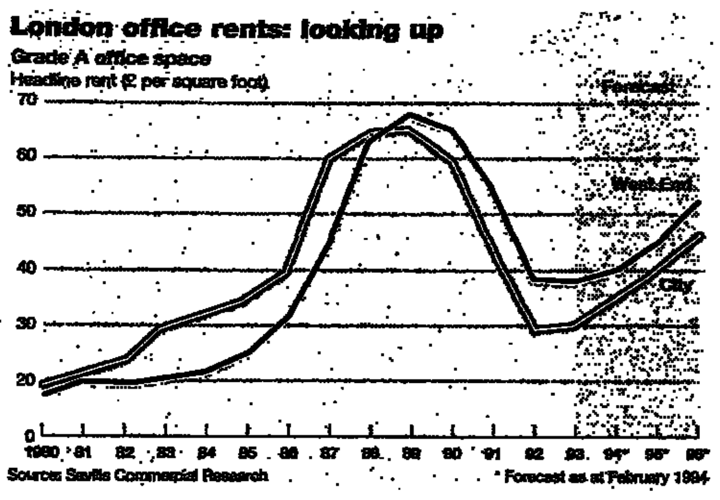
He is cool on the notion that Burford could eventually grow into one of the sector's largest companies. Size is meaningless, he said. What matters is earnings per share.

But Mr Leslau insists that Burford's increased size after the Ladbroke deal will not be a hindrance to growth. Burford is still a relative minnow, he said. "The day we feel that we cannot out-perform, we will sell the company," he said.

London office rents: looking up

Grade A office space

Headline rent (£ per square foot)



Source: Savills Commercial Research

* Forecast as at February 1994

Increasing gulf in London commercial market, says survey

The recovery of the London market will be marked by a widening gulf between the performance of top-quality sites and secondary properties, according to a forecast by Savills, commercial property agents.

Over the next three years, Savills predicts a 15 per cent annual increase in rates for top-grade space in the City to an average £46 per square foot, and a 12 per cent annual rise in the West End to an average £51 per sq ft.

After 1997, City rents are likely to dip in the face of competition from London docklands, where improved transport links are likely to enhance the area's appeal.

Savills' calculations assume a stable economic background. It also assumes that most take-up will result from tenants leaving old offices for new ones, rather than from expansion.

The lack of net take-up of space means that overall vacancy levels of about 10 per cent look set to become a permanent feature of the market. "The London market is becoming increasingly polarised. There is an oversupply of obsolescent secondary space, much of which may not be re-occupied unless redeveloped or converted to alternative use," Savills said.

The agent argues that tenants prefer modern buildings with floor space of at least 5,000 sq ft because such buildings can accommodate computer cabling and therefore improve internal communications.

Such grade 'A' space accounts for 43 per cent of the City market, 90 per cent of the docklands market and just 13 per cent of the West End market. Grade 'A' space accounts for only 6.5 per cent of total stock and is likely to fall to 2 per cent within three years.

After 1997, the development market is likely to pick up. Improved infrastructure, such as the Jubilee Line extension to docklands and the Paddington/Heathrow rail link, is likely to make docklands and Paddington popular destinations for tenants.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 00657 of 1994

IN THE MATTER OF
MAXWELL FINANCIAL SERVICES LIMITED (In Administration)
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an Order dated 17th February 1994, made in the above matter, the Court has directed a Meeting to be convened of the Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) of the above-named Company (hereinafter called "the Company") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and its Scheme Creditors and that such Meeting will be held at No. 1 London Bridge, London SE1 9QL at 11 a.m. on Thursday, 17th March 1994, at which place and time all such Scheme Creditors are requested to attend.

Any person entitled to attend the said Meeting can obtain copies of the proposal for a Scheme of Arrangement under section 425 of the Companies Act 1985 (containing an explanatory statement required to be furnished pursuant to section 426 of the above-mentioned Act and the text of the Proposed Scheme) and a form of proxy from Price Waterhouse (Ref JGP), No. 1 London Bridge, London SE1 9QL, during usual business hours on any day (other than a Saturday, Sunday or Bank Holiday) prior to the day appointed for the said Meeting.

The said Scheme Creditors may vote in person at such Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place. To be valid, forms of proxy must be lodged with the Administrators of the Company at Price Waterhouse (Ref JGP), No. 1 London Bridge, London SE1 9QL, no later than 11 a.m. on Thursday, 17th March 1994 but, if not so lodged, they may be submitted at the said Meeting.

By the said Order, the Court has appointed Jonathan Guy Anthony Phillips or, failing him, Andrew Mark Homan or, failing him, Alan Rae Dalziel Jamieson to act as Chairman of the said Meeting and has directed the Chairman to report the result thereof to the Court.

The said Scheme of Arrangement will be subject to the subsequent approval of the Court.

Dated this 18th day of February 1994

Norton Rose,
Solicitors to the Administrators of the Company
Bank of America House, 25 Cannon Street, London EC4M 5SL

MANAGEMENT

John Craven gives his view of the role played by the banks during the recent crisis at Metallgesellschaft

Testimony to the German system

Many newspaper articles about the recent problems at Metallgesellschaft, the Frankfurt-based metal, mining and industrial group, have criticised the role played by the German banks, and particularly by Deutsche Bank.

As the only foreigner on the board of managing directors of Deutsche Bank, I may be in a unique position to put these criticisms in perspective. I have not been involved personally in the resolution of the situation but have witnessed at first hand what has been achieved.

Much of the criticism has focused on a perceived conflict of interest between certain German banks as shareholders of Metallgesellschaft, and their position as principal creditors, and on the role played by Ronaldo Schmitz, who is both a colleague of mine on the board of managing directors of Deutsche Bank and chairman of the supervisory board of Metallgesellschaft.

The suggestions have been that there is too close a relationship between the leading German banks, companies in which they may have shareholdings, and their supervisory boards; and that the banks have been motivated by their interests as shareholders to force the creditor banks to accept a resolution of the problem which favoured the interests of the banks as shareholders over those of the creditor banks which had no shareholdings.

In my opinion, the prompt and efficient way in which the German institutions acted to resolve a crisis that might, in other circumstances, have resulted in a massive bankruptcy, is a testimony to the German system. This is not to be critical of the way such matters are handled in other financial centres and jurisdictions.

There is a perception that the banks have a disproportionate influence over the affairs of German companies

Within a few weeks of the scale of the problems facing Metallgesellschaft eventually becoming known to the supervisory board, the German banks provided the company with emergency liquidity in excess of DM1.5bn (£580m) to enable it to meet its pressing obligations; the management of the company was almost completely replaced (six out of eight members of the board of managing directors are new appointees – some from external sources, some internal); the creditor banks agreed to a massive equity-for-debt exchange; and, subject to the approval of two general meetings of shareholders to be held on February 24 and March 30 1994, the shareholders will have agreed to a DM3.7bn recapitalisation.

The future of a leading international company employing 58,000 people across several countries will have been put on a sound footing under new management that can concentrate on the reorganisation of the business without the pressures of an unsound financial structure.

I would submit that this is an extraordinary feat which would have been difficult, if not impossible, to achieve in the timescale involved under other systems, and one which is deserving of praise rather than criticism.

It is also noteworthy that the problems were resolved entirely in the private sector and without the intervention of the banking supervision or other authorities in Germany, or elsewhere. Admittedly, the speed with which a solution was implemented was dictated by the German bankruptcy law: this lays down a very tight timetable effectively forcing the supervisory board to declare bankruptcy within 21 days of it becoming clear that a deficiency of net assets exists, unless this deficiency is remedied within this time limit.

In reality I think the fact that Deutsche Bank and Dresdner Bank were both shareholders and creditors of Metallgesellschaft – and the fact that some 65 per cent of the equity was held by just five institutions (including the two banks) who collaborated in the resolution – worked to the advantage of all the shareholders in the company. There was a community of economic interest between shareholders and creditors in preserving Metallgesellschaft as a going concern. The result might have been quite different if shareholders and creditors had been competing to protect their own interests.

Alan Harper

Deutsche Bank: perceived conflict of interest may be overestimated

I was interested to read a recent speech by Pen Kent, an executive director of the Bank of England, to the Association of Corporate Treasurers, which said that "a weakness of refinancing a company involving just its banks is that they are generally protecting their own positions at the expense of other creditors and shareholders". He continued: "It would be more satisfactory if the opportunity to participate in a workout were available to all creditors and shareholders – however, this would seem to be an unobtainable objective . . ."

There is, I think, a perception that the banks in Germany have a disproportionate influence over the affairs of German companies and exercise this through the many memberships of corporate supervisory boards that are occupied by members of the boards of managing directors of the major banks. This is a wrong perception. Where bank directors have seats on the supervisory boards of industrial companies they are not there to protect the interests of the bank. German corporate law states that the responsibility of the members of the board of managing directors (the *Vorstand*) and that of the supervisory board (the *Aufsichtsrat*) is to look after the interests of all the stakeholders in the business. This extends not only to the shareholders and the creditor banks, but also to the interests of the company as a going concern and to the interests of the suppliers, the customers, the workforce, the management and the communities in which the company operates.

In the Metallgesellschaft case all these stakeholders have been protected by the steps that have been taken. Surprising though it may seem to outsiders, members of supervisory boards who happen to be working directors of the banks do not divulge to their bank colleagues confidential information about the companies on whose supervisory boards they sit. They take very seriously their obligations to act in the interests of all the stakeholders in the company.

The influence of the German banks – and in particular Deutsche Bank – is also, in my view, blown out of all proportion by the international press. It is true that Deutsche Bank has a number of significant industrial participations – the details are a matter of public knowledge. In Germany the number of quoted public companies is, in relation to the size of the economy, far smaller than, for example, in the UK. In Germany there is not the requirement for companies to establish segregated pension funds – a large investment force in the UK – and insurance companies are restricted in the extent to which they can hold equity investments. The result is that a very large share of holdings in German industrial companies is held by other industrial companies, in particular companies which have origins in the utility industries. The banks are much smaller shareholders, as a group, than is the foreign perception. Their influence as shareholders is commensurately less than is perceived outside Germany.

As for the suggestion that the members of the supervisory board of Metallgesellschaft failed to exercise their supervisory responsibilities effectively, I would only comment that the efficiency of a supervisory board is not dissimilar to that of the non-executive directors of a public company in the UK. The effectiveness of the non-executive is a direct function of the quality and flow of information from executive management. I pass no judgment on the discharge by management of its responsibilities in the Metallgesellschaft case since I am not aware of all the facts.

If information is withheld in response to direct questions, no Cadbury or other systems of corporate governance will enhance the ability of the non-executive or supervisory board member to fulfil his responsibilities adequately. However, I would not be surprised to see a trend in Germany towards the establishment of audit committees made up of supervisory board members to provide a forum for the transmission of information direct from external auditors to the supervisory board.

The author is chairman of merchant bankers Morgan Grenfell, owned by Deutsche Bank.

Are you a workaholic?

The British have never admired work for its own sake. They have tended to side with Oscar Wilde who noted that work is the refuge of people who have nothing better to do.

Americans have been known to consider "workaholism" a virtue, a form of patriotism, the way to win friends and influence people.

But the workaholic has self-doubts. He or she may be seen as a pathetic soul unable to experience pleasure.

Workaholics shun vacations; because their jobs are their passion they do not feel they need to get away from it all. The anxiety that precedes taking any holiday break seems more trouble than it is worth. Finally, workaholics are afraid that they would lose complete control of their jobs if they left their desks, albeit briefly.

Why not assess yourself?

1. Do you get up early, no matter how late you go to bed?
Always (2) Sometimes (1) Never (0)

2. Are you usually the first to arrive at the office?
Always (2) Sometimes (1) Never (0)

3. If you are having lunch alone, do you work while you are eating?
Often (2) Sometimes (1) Never (0)

4. Do you telephone your staff during the evening or at weekends to discuss work problems?
Often (2) When I need to (1) Never (0)

5. Do you make daily lists of "things to do" and try to finish them?
Always (2) Sometimes (1) Never (0)

6. Do you find it difficult to "do nothing"?
Definitely (2) Depends (1) No (0)

7. Have members of your family ever complained about the hours you work?
All the time (2) Occasionally (1) Never (0)

8. Are you energetic and competitive?
Yes (2) No (0)

9. Can you work any time and anywhere?
Practically (2) Depends (1) No (0)

10. Do you find holidays a waste of time?
Usually (2) Sometimes (1) No (0)

11. Do you dread retirement?
A lot (2) A little (1) No (0)

12. Have you ever cancelled a family outing or anniversary celebration because of work pressure?
Often (2) Occasionally (1) Never (0)

13. Do you read material unrelated to work in your spare time?
Never (2) Sometimes (1) All the time (0)

14. Have you ever been advised by a doctor to take things easier?
Yes (2) No (0)

15. Have you ever refused to attend office parties/outings because of pressure of work?
Often (2) Sometimes (1) Never (0)

16. Do you work at home during the evenings?
Often (2) Sometimes (1) Never (0)

17. Do you ever come into the office on Saturdays and Sundays?
Usually (2) Occasionally (1) Never (0)

18. Are you reluctant to delegate, preferring to do the important jobs yourself?
Yes (2) No (0)

19. Do you believe most people are lazy slobs?
Yes (2) No (0)

20. Is work, for you, more fun than fun?
Yes (2) No (0)

SCORING

0-10 You're lucky to keep your job! You appear to be very uninterested in your work. Perhaps workaphobic?
11-20 You certainly take things easy. Remember all play and no work makes Jack a poor boy!
21-27 You have a reasonable balance between work and leisure and a healthy lifestyle.
28-34 A hard worker, perhaps internally driven or in a pressurised job.
35-40 Take it easy! Are you trying to escape something? Work cannot be that important. You are a full-blown workaholic.

Music in London

Trumpeter in winning form

David Murray reviews the London Mozart Players and John Wallace's performance of Birtwistle's 'Endless Parade'

Faced with the trumpeter John Wallace as their soloist on Wednesday, the London Mozart Players (now resident in Croydon) were put upon their mettle. In Harrison Birtwistle and in Leopold Mozart, Wallace was in such winning form that it was doubly impressive of the LMP to make their virtues register so well in the Queen Elizabeth Hall. Their conductor Matthias Bamert had a lot to do with that.

At the end of their programme, in Schubert's Symphony no. 6 – the "little" C major – Bamert could still draw fresh, cheerful playing from them, athletic and candid: just what that earlyish work needs to make its best effects. At the start, accompanying Philippa Davies' imaginative flute in Bach's B minor Suite with strings, he was a creative partner; he found an un-pedantic lilt for all the dance-rhythms, including an uncommonly sinuous Minuet, and conjured a darkly expressive backcloth for her Sarabande. For Miss Davies that was plainly the introspective heart of the Suite, but we relished no less her extrovert dash in the "Double" of the Polonaise, and her feathery brilliance in the Badinerie.

Birtwistle's *Endless Parade* (1987) has been called the best trumpet concerto since Haydn's. That may well be right. There have been goodish concerti for the instrument, but usually there is a suspicion that their composers are writing *down* – either because they think the trumpet has narrow expressive limits, or because they feel expected to make the most of its strident gleam and its vocal sexiness when muted.

Birtwistle's 20-minute piece is far more original. He rotates his basic material through many different angles, exploiting his multiply divided strings in swift, overlapping paragraphs. Though his trumpet remains a "pure" trumpet, not a pretend-voice, it explores all the rich possibilities of trumpet diction – in range, dynamics, articulation – as it soars through and above the intricate string-inventions. After repeated hearings, *Endless Parade* continues to fascinate and compel.

Naturally, nothing less than a superlative soloist will do. The original one was Hakan Hardenberger, cool and superbly polished. Here, Wallace suppressed his natural bent for vocal inflections in favour of open, shining tone, keeping his subtleties strictly to the diction alone. That was marvellous to hear: without *swoops, shudders or smooches* he stamped every passage with speaking character, apt for each new twist in Birtwistle's score. After that, the tidy little concerto by Mozart *père* was a mere doddle. It has to be squeezed out of a tiny D-trumpet, but Wallace did that with straight-backed period elegance.

Sponsors: Générale des Eaux Group

Hungarians at odds with soloist

Before the war the Hungarian State Symphony Orchestra could proudly claim that it worked with some of the leading conductors of the day, including Ansermet, Klemperer, Walter and Busch. All that changed with the Cold War, when even the best of the Eastern European orchestras found themselves on the sidelines.

To judge from its Barbican concert on Wednesday, the Hungarian State Symphony Orchestra is not really one of their number these days. Top orchestras from Prague and Dresden, St. Petersburg and Leipzig have shown what they can do in London; the Hungarians, for all their virtues, cannot match that level of style and sound quality.

The orchestra's principal conductor is Ken-Ichiro Kobayashi, who took up his post in 1987. He may run up to the podium with a spring in his step, but unfortunately his physical energy does not always communicate itself to the performances. Wagner's Overture to *Die Meistersinger von Nürnberg* was played with studied grandeur, as though he wanted us to be sure that this was serious music-making.

In Brahms's Violin Concerto there were two performances going on: Kobayashi and the orchestra anxious never to sound anything other than measured and sober, the soloist Lydia Mordkovitch always wanting to ignite sparks of passion from the violin bow, if she could. In all the more agitated passages Mordkovitch was inclined to overheat the emotion without respite, but she had life and made every note count. I was glad she was there.

Moving on to Bartók's Concerto for Orchestra, Kobayashi and his Hungarian players were released from any duty to try to sound teutonic. The conductor allowed more urgency and speed. The playing found more attack. In its combination of a fairly big string sound, bright but not strident brass, able if self-effacing wind, the orchestra has some strengths on its side. The red-blooded flair that closed the finale showed that Kobayashi has tasted paprika in the last seven years, after all.

Richard Fairman

Tour sponsored by Hungaria, the National Tourist Office of Hungary, Yamaha Music Foundation, Obayashi Corporation and Malév

Tony Andrews

Patrick Wallace in front of Collins Barracks, in which he plans to present an 'upstairs-downstairs' view of Irish social history as well as a militaria museum

Ireland's heritage is on the move

Thanks to a windfall from the Irish government, the National Museum of Ireland has been given an historic building on the banks of the Liffey. ***Patricia Morison*** *talks to the Museum's director Patrick Wallace*

The National Museum of Ireland has been given the go-ahead for what its director, Dr Patrick Wallace, describes as "the most important change for this museum in a hundred years". The Museum is to take over Collins Barracks, a well-known legacy of British rule, opposite the Guinness Brewery on the River Liffey.

Founded in 1877, the museum on Kildare Street, across the courtyard from the Irish Parliament, is best known for incomparable gold from the Bronze Age and for such superb medieval Celtic treasures as the Tara Brooch, St Patrick's Bell, and the Ardagh Chalice. However, only a tiny fraction of the museum's collections can be shown. The enormous collection of Irish folk life, which Wallace calls "a remarkable testament to the dignity of poverty", has never been out of storage.

For five years, parts of the museum have been closed for repairs and renovations. Designed by Sir Thomas Deane and opened in 1899, it is slowly reemerging as a delightfully pretty and intact example of Victorian museum design. There is a grand central gallery roofed in iron and glass, long mock-Tudor galleries with hammer-beam roofs, and colourful majolica doorways made in Leeds. But the problems remained: acute lack of space and, with only half a million visitors a year, a worryingly inconspicuous place in Ireland's cultural life.

A new dawn was signalled in last month's budget. Finance Minister Bertie Ahern unexpectedly announced that the museum would be given Collins Barracks and a I£10m renovation grant. The I£10m came from a controversial tax amnesty recently introduced for Irish tax-dodgers. Michael D. Higgins, Ireland's first minister for the arts, then announced an additional I£15m grant from the EC's European Structural Fund.

Wallace had hopes of getting his hands on Collins Barracks but had not dared to be optimistic. In the 1980s, the museum was told it would be taking over the beautiful 18th-century Royal Hospital at Kilmainham. There was bitter disappointment when the government instead made it the modern art museum.

Now Wallace has I£25m and an historic 17-acre site in a part of west Dublin which, although run-down, is attractive and has considerable great tourist potential. Originally called the Royal Barracks, Collins Barracks was built between 1701 and 1706 and is still in use by the Irish army, making it the oldest continually occupied barracks in Europe. A pleasing facade is visible from the busy roads along the banks of Liffey, but few Dubliners have ever been inside.

Thomas Burgh, the first architect, also designed Trinity College Library and Dr Stevens' Hospital. His covered riding-school survives, also Pierce Square and Clarke Square, dignified great courtyards surrounded by four-storey blocks of soldiers' accommodation, pierced by huge archways. Extra floors were added in the last century, and at its peak, the barracks housed 500 horses and 5,000 soldiers. Conditions were dreadful and cholera was rife.

In the next few months, the army will leave and work will start to turn Collins Barracks into a repository for a rich variety of Ireland's heritage. The narrow rooms of the Clarke Square building will house European decorative arts; Georgian silver, Irish lace, ceramics, and fine Irish furniture. Wallace plans to have a temporary exhibition up by the end of the year. Some of next year's major celebration of the Vikings in Ireland may also be exhibited there.

Wallace is keenly aware of the potential offered by the gaunt old barracks as a museum for militaria and a shrine to Irish republicanism. Local tradition has it that "the Curlies", revolutionaries killed in the abortive 1798 rising, were buried on the green esplanade beneath the barracks. Arbour Hill is right behind, and the churchyard with the impressive memorial to the martyrs of the 1916 Easter Rising.

Militaria, musical instruments, coins, stamps, carriages, and scientific instruments will have their galleries, as well as the ethnographic collection. The doctor on Captain Cook's second voyage was a Dubliner who brought back Maori treasures which have not been exhibited for 25 years. Conservation workshops are urgently needed and eventually, there will be crafts' workshops.

The heart of the site will be a I£11m purpose-built museum. The architects will be the Office of Public Works which converted the Royal Hospital at Kilmainham and the new building will be able to take in travelling museum shows. "Ireland has never got the blockbusters, Tutenkhamun or Benin bronzes, but now that will change", says Wallace.

Wallace plans to keep Kildare Street for Irish antiquities. Ireland's exceptional archaeological heritage (a Viking gold necklace was dug up only last week) will easily fill the old building. The most controversial issue is the fate of the huge collection illustrating Ireland's vanishing folk traditions.

Wallace wants it for Collins Barracks, to give an "upstairs-downstairs" view of Irish social history. "The Ireland from which the millions went over the world, it's all there, our folk beliefs, superstitions, regional traditions." The arts minister is said to favour creating a new rural museum at Daingean in County Offaly.

Wallace's plans will cost substantially more than I£25m, not least for more staff. Museum charges may well have to be introduced. In the past, fund-raising from Irish business and private individuals has brought small rewards. As Wallace ruefully comments, "Irish millionaires want a winner at the Curragh and an actress." Yet he also detects a change in public attitudes in the last few years and a new curiosity to discover something about Ireland's heritage. The proof of that will be what happens now at Collins Barracks.

Theatre/Andrew St George

The Life of Galileo

Bertolt Brecht (1898-1956) died whilst rehearsing the model production of his *Life of Galileo*. It remains one of his most lucid plays, written in November 1938; now it has a new gloss in David Hare's version at the Almeida Theatre which makes absorbing, engaging drama.

The play starts with the battle between Ptolemy's crystal spheres view of the universe centred on the earth, and Copernicus's sun-centred model. John Donne caught the feeling of the time: "The sun is lost, and the earth, and no man's wit can well direct him where to look for it." The two dates in Galileo's life (1564-1642) which form the axis of the play are 1610 when he published *The Starry Messenger* about his discoveries in astronomy, and 1633 when he recanted at Rome the Copernican theories he had held.

As Galileo and Rome take a collision course, the play's broader issues evolve: the uses of scepticism and the uses of science; the merits of science and religion for the uneducated; the worth of knowledge; and the possession of truth, "the child of time and not the prisoner of authority." Behind, Brecht – but not Hare – is the great debate between the Baconian and Aristotelian views of science. The equivalent debates now can be found in genetic engineering and computer information. Rome's attitude then is like political correctness now: think but don't say.

Brecht wrote an accessible play about ideas, staging them and making discovery exciting. Hare has stayed in that tradition, trimming down the play and updating its feel while still keeping the action in 17th-century Italy. Both offer, as Brecht wanted, "a workable picture of the world".

At the Almeida, the cast is strong and centred on a very fine performance by Richard Griffiths as Galileo. He ages Galileo 30 years from the discontented 46 year old of the opening to the disillusioned man under house arrest at the close.

Griffiths has the ability to find voices within Galileo, throwaway lines or comments which are still part of the character; he finds broad gestures for Galileo, almost vulgar, as befits Brecht's portrayal of a man taking the easy course and applying his learning indiscriminately.

Around him, Michael Gough and Alfred Burke are pillars of Roman cynicism and prejudice, while Edward de Souza and Jerome Willis are a brace of clubbable cardinals.

Jonathan Kent's direction keeps the action cerebral and finds images of light and dark in the excellent set (Tobias Hoheisel) without recourse to laboratory paraphernalia. Behind the wooden screens which become the courts, houses and lecture rooms of Galileo's life, the curved wall of the Almeida Theatre is a celestial blue dappled with golden stars. Jonathan Dove's ambient music creates a sense of distance and perspective.

Hare – and Brecht – know that Galileo recanted his theories in order to stay alive to write more. Griffiths' quiet defence of Galileo's decision draws the play together at the end; he was a man unable to resist an old wine or a new idea.

Andrew St George

At the Almeida Theatre (071 359 4404) until March 31

INTERNATIONAL ARTS GUIDE

Salzburg at Easter

This year's Salzburg Easter Festival (March 26-April 4) will be the first under the artistic direction of Claudio Abbado. On the surface, not much has changed: there will be one opera production and a series of concerts featuring the Berlin Philharmonic Orchestra, conducted like last year by Abbado and Georg Solti.

With the exception of Solti's two performances of Beethoven's Missa Solemnis, the programme has a Russian flavour. The opera is Boris Godunov, to be staged by Herbert Wernicke with a cast led by Anatoly Kotscherga, Aage Haugland and Marjana Lipovsek.

Beneath the surface, however, Abbado has subtly altered the emphasis of the festival. He has introduced an afternoon chamber music series entitled Kontrapunkte (Counterpoints), to be given at the Mozarteum by members of the Berlin Philharmonic and the Wien-Berlin Ensemble. The programmes have a contemporary slant, with music by Schnittke, Gubaidulina and Denisov alongside more familiar works by Musorgsky and Shostakovich.

Abbado realises the festival cannot feed on the Karajan legacy for ever: he has to renew the audience and remould the festival's artistic raison d'être. If Kontrapunkte is a success, more far-reaching changes can be expected, even if it means losing the support of the die-hard conservatives among the festival's wealthy patrons. Tickets from Osterfestspiele Salzburg, Festspielhaus, A-5010 Salzburg (tel 0662-8045 361 fax 0662-840124)

■ EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Dawn of the Golden Age: 350 works offering a magnificent survey of Northern Netherlandish Art around 1600. Ends March 6. Dutch Figure Drawings 1700-1850: a survey of a popular genre in Dutch art of the 18th and 19th centuries. Ends May 1. Closed Mon

Museum Het Rembrandthuis The Netherlands from Life: 90 prints of landscape and rural life by Ruisscher, Rembrandt, Van de Velde and others. Ends March 6. Daily

BALTIMORE

Museum of Art Eugene Leake: 35 paintings and drawings by the Maryland artist, including portraits and impressionistic landscapes. Ends March 13. Jewels of Fantasy: 400 pieces of 20th century costume jewellery. Ends April 24. Closed Mon and Tues

BARCELONA

Fundació la Caixa Willem de Kooning: 50 paintings, sculptures and works on paper by the key abstract expressionist painter, selected from the collection of Washington's Hirshhorn Museum. Ends April 3. Closed Mon (Centre Cultural, Passeig de Sant Joan)

CHICAGO

Art Institute The Drawings of Joseph Beuys: retrospective of the controversial postwar German artist, illustrating his extensive and unconventional use of drawings as the basis for all his work as an artist. Ends April 24. Violent Passions - Edvard Munch and Alban Berg: 20 lithographs, etchings and woodcuts by Munch. Ends May 1. Daily

COLOGNE

Wallraf-Richartz-Museum Stefan Lochner: 100 works by the 15th century Cologne master and his circle. Ends Feb 27. Closed Mon

Josef-Haubrich-Kunsthalle The World of the Maya: 300 objects from the golden years of Indian culture in Central America. Ends May 15. Daily

EDINBURGH

National Gallery of Scotland From Leonardo to Manet: 50 outstanding prints and drawings acquired over the past 10 years. Ends April 17. Daily

FRANKFURT

Schirn Kunsthalle Archaeological Treasures from Romania: 500 objects documenting 6000 years of history, including weapons, jewellery, gold and silver. Ends April 17. Daily

Jahrhunderthalle Hoechst Ernst Ludwig Kirchner: watercolours and drawings from the Brücke Museum in Berlin. Ends March 20. Daily

Städel Landscape and Interior: 19th century French and German prints. Ends Feb 28. Ernst Wilhelm Nay: 70 paintings from the early postwar years. Ends May 23. Closed Mon

Museum für moderne Kunst On Kawara (b1933): seven paintings and 62 drawings by the Japanese conceptual artist. Ends May 15. Closed Mon

GLASGOW

McLellan Galleries The Bigger Picture: a celebration of 400 years of Scottish painting. Ends April 4. Daily

Burrell Collection Degas in Bronze: the complete set of 73 sculptures, including The Little Fourteen-year-old Dancer, plus paintings and pastels from the Burrell's own fine collection. Ends March 13. Daily

Hunterian Art Gallery The Italian Renaissance Print: works by Mantegna, Barocci, Annibale Carracci and others from the Hunterian's important collection. Ends April 23. Closed Sun

HAMBURG

Museum für Kunst und Gewerbe Poster Art: 300 examples from Toulouse-Lautrec to the present day. Ends March 20. Closed Mon

Kunsthalle Georg Baselitz (b1938): 30 wood sculptures 1980-92. Ends April 17. Closed Mon

LONDON

Tate Gallery Picasso: 200 sculptures, paintings, drawings and ceramics, focusing on the intriguing relationship between Picasso's sculpture and painting, from the early works of the Cubist period to the monumental pieces of the 1950s and 1960s. Ends May 8. Daily

National Gallery Claude: The Poetic Landscape. Ends April 10. Daily

Victoria and Albert Museum Fabergé: 350 treasures created by the House of Fabergé in Imperial St Petersburg. Ends April 10. John Channon: brass inlaid furniture by the 18th century master cabinet-maker and his contemporaries. Ends April 24. Daily

Royal Academy of Arts Art of the Ancient World: 300 masterpieces from the George Ortiz collection. Ends April 6. The Unknown Modigliani: 400 drawings created between 1906 and 1914. Ends April 4. Daily

British Museum The Study of Italian Drawings: an affectionate tribute to the late Philip Pouncey, the British scholar whose encyclopaedic knowledge of Renaissance painting and drawing enabled him to make discoveries that eluded fellow experts. Ends April 24. Daily

National Portrait Gallery Holbein and the Court of Henry VIII: 28 portraits and five miniatures from the royal collection at Windsor. Ends April 17. Daily

MARTIGNY

Fondation Pierre Gianadda Marie Laurencin: paintings and drawings from the Laurencin museum in Japan, showing the dreamy elegant creatures beloved by the artist. Ends March 6. Daily

NEW YORK

Museum of Modern Art Frank Lloyd Wright: retropective of the great American architect, including 30 scale models, architectural fragments, full-scale constructions and 350 original drawings, many never previously shown in public. Ends May 10. Feininger, Kandinsky and Klee: 75 prints and illustrated books produced by three Bauhaus artists. Ends May 17. Closed Wed

Metropolitan Museum of Art Lucian Freud. Ends March 13. Degas Landscapes. Ends April 3. The Golden Age of Danish Painting 1780-1850. Ends April 24. Caspar David Friedrich to Ferdinand Hodler: 19th century paintings and drawings from Germany and Switzerland. Ends April 24. 16th Century Italian Renaissance Drawings in New York Collections: little-known works by Raphael, Michelangelo and Titian. Ends March 27. Closed Mon

Brooklyn Museum Arata Isozaki (b1931): retrospective of the world-famous Japanese architect. Ends Feb 27. Closed Mon and Tues

PARIS

Louvre Egypt's Role in Western Art 1730-1930: paintings, furniture, porcelain, jewellery and other works of art, illustrating how ancient Egypt has gripped the western imagination over the centuries. Ends April 18. Closed Tues

Musée d'Art Moderne de la Ville de Paris Around a Masterwork of Matisse: three monumental versions of the Dance. Ends March 6. Closed Mon (11 ave du President Wilson)

Centre Georges Pompidou The City: an ambitious combination of exhibitions, films and conferences, illustrating different aspects of urban culture. The main exhibition, entitled The City, Art and Architecture in Europe 1870-1993, keeps art and architecture as two separate categories. Ends May 9. Closed Tues

Musée du Luxembourg The Glorification of Saints in the Limousin Region: 100 examples of religious art from the Middle Ages to the 20th century. Ends March 9. Closed Mon (19 rue de Vaugirard, on edge of Luxembourg gardens)

Versailles Versailles and the Royal Tables of Europe from the 17th to 19th centuries. Ends Feb 27. Closed Mon

SAINT-ETIENNE

Musée d'art moderne Ben Nicholson: retrospective of the British abstract artist. Ends April 25. Daily

STUTTGART

Staatsgalerie The Wise King: 250 woodcuts chronicling the era of the late 15th century Hapsburg emperor, Maximilian I. Ends May 1. Closed Mon

WASHINGTON

National Gallery of Art Egon Schiele: 70 works by the leading figure of Austrian Expressionism. Ends April 24. Renaissance Portrait Medals. Ends May 1. Hans Hemling's St John the Baptist and St Veronica: two panels by the late 15th century painter from Bruges. Ends May 15. Daily

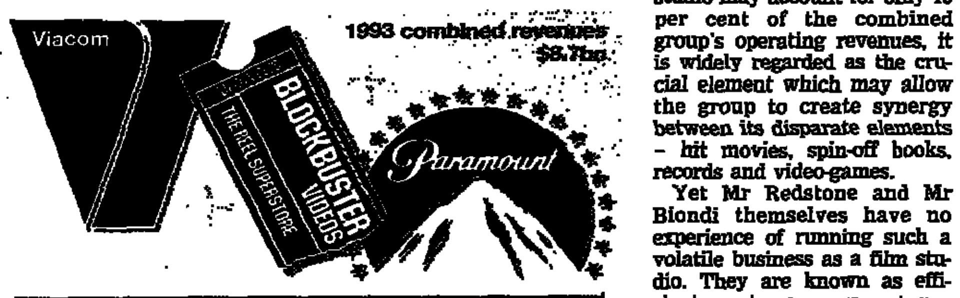
Renwick Gallery William Daley: ceramic works and drawings by one of the leading figures in the history of American crafts. Ends April 17. Daily

Walters Art Gallery A Bouquet of French Manuscripts: rare works from the late Middle Ages and Renaissance. Ends April 10. Closed Mon

Action! . . .
. . . and cut

Martin Dickson on the tasks facing Paramount's new bosses

Paramount: the final picture



Divisions	Revenues	Cash flow
Entertainment	27%	13%
Publishing	19%	16%
Video rental/retail	18%	23%
Cable TV networks	16%	18%
Live entertainments	7%	6%
Music retail	5%	4%
Broadcasting	4%	8%
Cable systems	4%	12%

Source: Smith Barney/ Viacom

Blue Chips, a high-budget movie about skulduggery in college basketball, starring square-jawed actor Nick Nolte and real-life basketball star Shaquille O'Neal, opens across the US tonight, and early reviews suggest it could end a run of disappointing box office returns for Hollywood studio Paramount Pictures. In the words of The Hollywood Reporter, a movie industry newspaper, it's a "slammin'-jammin' saga".

Nobody will be hoping so more fervently than Mr Sumner Redstone, the 70-year-old chairman of cable television group Viacom, who on Monday night won an epic, five-month takeover battle for Paramount Communications. The group owns the Hollywood studio as well as book publisher Simon & Schuster and a host of other entertainment interests, yet has had lacklustre financial results for years.

The takeover, together with Viacom's related acquisition of video rental retailer Blockbuster Entertainment, transforms the group from being a fast-growing but medium-sized (revenues of $2bn) cable television programming and services company into an entertainment giant (revenues of $8bn), alongside rivals such as Time Warner and Mr Rupert Murdoch's News International.

According to Viacom, this new "global media powerhouse" will be strongly placed to take advantage of a boom in the world entertainment market, due to the development of multi-media interactive television in the west and the collapse of communism in the east.

Yet for all these fine words, Mr Redstone and Mr Frank Biondi, Viacom's athletic, 49-year-old chief executive, have just taken on one of the most daunting jobs facing an American management team.

They must sharply improve the Paramount group's performance to justify the high price paid for the company: at $9.7bn, the winning bid is some $2bn more than many observers think Paramount is worth.

At the same time, they face the extremely intricate task of merging not two, but three corporate cultures and management systems, thanks to the January agreement under which Viacom is buying Blockbuster in return for Blockbuster providing cash to support its Paramount bid.

The takeover of Blockbuster could still fall apart or need renegotiation, because Blockbuster shareholders, who must approve the deal, are unhappy at the plunge in the price of Viacom's stock – the currency in which they are being paid – since the merger terms were agreed.

Mr Redstone needs Blockbuster's strong cash flow and balance sheet to bolster the finances of a heavily indebted Viacom-Paramount combination, which Wall Street reckons would generate enough cash to cover its annual interest payments about twice.

Mr Redstone has shown in the past that he can successfully handle high levels of indebtedness: when he acquired Viacom – best known for MTV, the pop music cable television network, and Nickelodeon, a channel for children – seven years ago for $3.2bn, he took on $2.8bn of debt. Yet he has presided over a period of rapid growth without selling off the group's assets.

And if Viacom eventually needs to cut its leverage it could sell off bits of the Paramount business, though Mr Redstone says there are no specific assets for sale now.

Three central, inter-related tasks face the Redstone-Biondi team. The first is to cut costs by combining jobs currently carried out separately by the three businesses. For example, some corporate overheads will go, while the cost of developing and distributing television programmes will be reduced by combining some of these functions at MTV, Paramount and two small Hollywood studios owned by Blockbuster, called Spelling and Republic. Mr Biondi reckons this could produce annual cost savings of about $200m within 12 months.

The second is to improve Paramount's financial performance, and especially that of Paramount Pictures, which for years has suffered from too many flops of high-budget films, low staff morale and a revolving door of top executives. Recent disappointments include the ghoulish comedy *Addams Family Values* and a family drama, *The Search for Bobby Fischer*.

Big personnel changes seem certain. Mr Stanley Jaffe, who as president of Paramount Communications is ultimately responsible for its entertainment results, is not expected to stay at Viacom, which may also seek an eventual replacement for Ms Sherry Lansing, Mr Jaffe's one-time business partner and the Paramount studio head.

For now, Mr Biondi says: "We have confidence in Sherry Lansing. We have asked her to stay, and she's indicated she'd like to."

Getting the right team to run Paramount Pictures may be the most important single decision facing Viacom over the next few months, for while the studio may account for only 10 per cent of the combined group's operating revenues, it is widely regarded as the crucial element which may allow the group to create synergy between its disparate elements – hit movies, spin-off books, records and video-games.

Yet Mr Redstone and Mr Biondi themselves have no experience of running such a volatile business as a film studio. They are known as efficient asset managers, not creative artists.

The third challenge is to begin creating the cross-fertilisation between Viacom, Paramount and Blockbuster which might justify the creation of Mr Redstone's $9.7bn "global powerhouse". Initial plans include persuading Paramount to make films featuring successful Viacom cable television characters, such as MTV's teenage anti-heroes Beavis and Butt-head.

Mr Redstone is also keen to follow the lead set by film-makers Walt Disney and Warner Brothers and set up a a chain of "studio stores" – glossy shops featuring Viacom and Paramount film-related merchandise. Blockbuster, with its sophisticated retailing management systems, would play an important role in this venture.

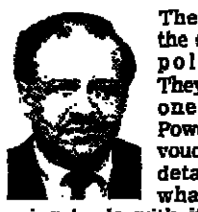
Wall Street, which generally favoured the strategy behind a Viacom-Paramount bid, but initially questioned the wisdom of bringing Blockbuster into the partnership, seems a little more inclined to accept the logic behind the triple alliance.

"At the end of the day, a fully vertically integrated manufacturer and distributor of audio, video and published copyright material, with extraordinary marketing skills in reaching early users of new technologies, should win," according to Mr Christopher Dixon of broker PaineWebber.

But that is by no means a universal view, and the multimedia future for which Mr Redstone is preparing remains a long way away and of uncertain shape.

Joe Rogaly

Ugly face of naked power



They are all the same, these politicians. They only want one thing. Power. We are vouchsafed few details about what they're going to do with it, just that they yearn to be in charge. The demotic question to keep in mind when one of them addresses you – "why is this lying bastard lying to me?" – is really no question at all. It answers itself – "because he, or she, wants to have his, or her, wicked way with my vote". If it had been asked and answered in April 1992, when the Tories produced their now notorious false prospectus on taxation, Mr Neil Kinnock might be UK prime minister today. Think of that.

Mr John Smith, Mr Kinnock's successor, shows every sign that he does think about it, and that he will never forget the lesson. At the next election, Labour apparently plans to tell the smallest amount of truth it can possibly get away with. It will say next to nothing about what the party proposes to do if it wins, and less about what its unstated plans might cost. Tough. It would make no odds if Mr Smith was more forthcoming. The differences between the parties are not earth-shattering.

The Conservatives, who have enjoyed office for 14 years, seek to extend their empire of patronage whenever they can. Survival apart, they have practically nothing else on their minds. Labour, scenting victory, plots against its natural allies, the Liberal Democrats, so that the latter do not stand in the way of an overall majority. Unduly excited by the government's present nadir of unpopularity, the people's party dreams of absolute power, to be granted by the voters with the generous addition of a blank cheque. Lib Dem successes would blur this fantasy. Winner-takes-all would lose its charm if there were one-and-a-half winners, or a tiresome list of specific promises to deliver.

When it comes to the broad thrust of policy, there is not much of a choice. The Tories have perfected the trickle-up theory of economic management, shifting income and wealth from poor to rich. Labour might be expected to redress the balance by a whisker or so, but not much more because that would be inconsistent with Mr Smith's strategy of repositioning it as the party of "ordinary people" rather than "the poor". The Tories are attempting to obliterate all centres of power save Whitehall, which they regard as their natural fiefdom. Labour, which dominates Scotland and often wins local elections, would partially reverse the process. The leaders of both parties are contenders for first prize in the elective dictatorship stakes. They are job-seekers before anything else.

Bewitched by the prospect of sweeping all before him, Mr Smith is prepared to risk letting the Tories win

Further evidence of the naked ambition of our politicians came this week. On Tuesday, the police and magistrates court bill ran into more trouble in the House of Lords. Thank heavens. The bill would pack local police authorities with Tory puppets nominated by the government. This is getting to be a habit. There must be a Ministry of Strings somewhere. In the bill's original form the home secretary would have had the power to appoint the chairmen, but that was too much for Lord Whitelaw, who scuppered it. He was, however, prevailed upon to support the government's amendments to the bill, which would give the minister power to appoint sufficient members of the authorities to get the chairmanships sewn up in another way. It would all have been done with the deceptive phraseology of amendment 27, which would enable the government to appoint people "from a list of persons compiled in accordance with an order made by the secretary of state". What weasels our parliamentary draughtsmen are!

In a debate that should become a set-piece for students of the history of liberty in Britain, Lord McIntosh, for Labour, exposed the sham. If a list was compiled in accordance with the home secretary's order, and then the home secretary made the appointment from that list, he had the whole responsibility in his hands. Other speakers pointed out the partisan nature of the proposal, which would nationalise the British police. It came out of the ministerial head. No royal commission sat, no select committee voted, nobody outside the Conservative party dreamed it up. None of the 360 organisations that expressed an opinion backed the government.

Lord Rippon cited the liberal economist F.A. Hayek in support of the contention that "you cannot have real, effective democracy without real, effective local government". This should be engraved on the hearts of our Conservative, supposedly Hayekian, cabinet ministers. Outnumbered on its own side, the government withdrew its amendments; it will doubtless apply further devilish cunning in an effort to secure its original intent.

Labour's perception that it may be destined to rule again in solitary glory was also revealed this week. The death of the Conservative MP Stephen Milligan will mean a by-election in the southern constituency of Eastleigh. In the natural course of events, this would be won by the Lib Dems. In 1992, they captured 28 per cent of the vote against Labour's 21 per cent. Following the pattern of recent by-elections, and assuming a comparatively low swing against the government, tactical voting would put almost any Lib Dem candidate in the Commons.

Assume, however, that the voters are led in a different direction. Forget about the advantage accruing to the Lib Dems because they start ahead of Labour. Recall that Labour did better, and the Lib Dems worse, in 1992 than 1987. Then a projection of opinion poll figures for all three parties puts Labour in. Mr Smith has decided to go for broke. If he succeeds, he will have demonstrated his party can win down south. The Lib Dems, most of whose policies Labour has already borrowed, would become redundant.

The gamble is huge: splitting the anti-Tory vote could give the Conservatives a much-needed victory. Bewitched by the prospect of sweeping all before him, the Labour leader is clearly prepared to risk that. Can it be that in the eyes of Mrs Margaret Beckett, his steely deputy, even a Tory victory would be better than a Lib Dem advance, provided only that Labour moved from third to second place?

Never mind what they say, these gamblers at the high table of power, watch what they do. We have to accept their governance when they win, but oh what a joy it is to see them, any of them, go down.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Iceland's changing economy

From Mr Fridrik Sophusson.

Sir, In the article "Iceland's trade policy 'to blame for downturn'" (February 11), Frances Williams introduced a report by two General Agreement on Tariffs and Trade economists on the Icelandic economy. The Icelandic economy is not an everyday issue in the international media. Therefore, I feel it is important that when it is examined the evaluation gives an accurate picture of our situation.

The article focuses on that part of the Gatt report which deals with the past and gives a fairly thorough estimate of what we could have done better. This is all very well but it does not reflect the present state of affairs in Iceland.

Allow me to dwell on that for a moment. Despite stagnation since 1988, the Icelandic economy has undergone significant structural changes, not least in agriculture and the fisheries. The capital markets have been liberalised, the tax system has been completely reformed and the public sector has been down-sized. At the same time marked improvements can be noted in the economic field; inflation has been brought down from double-digit figures to 1-2 per cent; the current account is in balance and the fiscal deficit is well below the OECD average.

These facts are at least an indication of the present state of the Icelandic economy. I would be the first to acknowledge that there are many things still to be done but there are also a great many issues that have been successfully addressed.

Fridrik Sophusson,
minister of finance,
Ministry of Finance,
Arnarhvoll,
Reykjavik,
Iceland

Widen the net

From Mr Nigel Wilkins.

Sir, Few would argue with Mr Martyn Jones's case (Letters, February 14) for increasing the penalties faced by fraudsters who attempt to deceive auditors. However, it is not unknown in the history of financial scandals for auditors themselves to turn a blind eye to fraud by company directors, from who they often show insufficient independence.

Perhaps proposed criminal penalties should also apply to auditors who knowingly conceal fraudulent transactions.

Nigel Wilkins,
8 Petersham House,
Harrington Road,
London SW7 3HD

Good reason for not investing in upturn

From Mr F Thompson.

Sir, Mr Tony Jackson ("Dangers of great expectations", February 12) seems to be perplexed that UK industry is not currently investing more than it seems to be doing in preparation for recovery from the recession. Perhaps my company's policy on investment, which is based upon our experiences of the last 14 years or so and which I believe to be typical of very many businesses, might help him to understand.

The 1980s began with the government-engineered slaughter of manufacturing industry and our order book at that time, like so many others, went over the edge of a cliff. Those customers of ours which closed down overnight or went bust accounted for more than 80 per cent of our turnover.

These happenings left in their wake a strong buyers' market with the characteristically low prices of such a market and these still continue today.

During this 14-year period we have suffered the financial problems of a significant customer having gone into liquidation owing us a substantial sum of money; this has happened on three occasions and each time, perhaps more significantly, it has meant the end of yet another source of orders. During the same period we have worked at normal capacity for barely five years.

Manufacturing industry is continuing to contract at quite a pace so that to maintain our sales level we have to get at least two new customers a month and at the moment we are nearly three years into another recession which none of the "experts" quite seem to understand.

While we will certainly always meet any demands which our customers may make upon us we will not spend money on creating additional production capacity "in preparation for recovery" until we can be reasonably certain that we can make a good enough margin to cover us for the risks associated with a contracting industry and the seemingly endless blundering with the economy by the government.

Mr Jackson may think it "curious", but our view is that it does not matter how cheap money is and how low a figure inflation has come down to; these are minor factors which do not come into our discussions on such matters as these.

F Thompson,
managing director,
Leach & Thompson,
Chapel Foundry,
Dalton Lane,
Keighley,
West Yorkshire BD21 4JU

Venture capitalists must be more realistic

From Mr R.W. Kitzinger.

Sir, Your article "Unhappy returns" (Management, February 9), warning that many companies are in danger of under-investing, has particular relevance to the venture capital industry.

In our experience many venture capital fund managers, when negotiating with unquoted companies with a view to investing in them, will state that they are seeking internal rates of return of more than 30 per cent.

These rates have remained broadly unchanged and unchallenged for many years in spite of recent substantial falls in the real cost of money.

The venture capital industry needs to adapt to the present cost of money if it is to increase its deal flow to compete with those trade purchasers which have adjusted.

R W Kitzinger,
chairman,
First Independent Corporate Finance,
Celcon House,
289-293 High Holborn,
London WC1V 7HZ

Roots still in Scotland

From Mrs Gillian Darley.

Sir, In your survey of Housing Associations (February 15) I was interested to see Octavia Hill cited as a key figure in the establishment of the housing association movement.

As her biographer, and until recently a committee member of a large London housing association, I see all the trends described in your survey as rapidly taking the movement *away* from its roots. The kind of community-based housing action that Octavia Hill and those housing professionals of the next generation that she trained believed in is under threat and only survives, to any extent, in Scotland.

Had you featured the Glasgow housing association movement, for example, you could have demonstrated that value for money produces architectural quality, job creation, children's playgrounds and a high degree of tenant involvement at every level – the very things that Octavia Hill promoted.

Gillian Darley,
14 Doughty Street,
London WC1N 2PL

Broader issue on top pay

From Mr David Lea.

Sir, As you say in your leader, "Lining the executive nest" (February 14), it is clear that shareholder power is no real check on excessive executive remuneration.

A more credible system of assessment is needed. One system would be to include representatives of employees on the assessment panel, for example through a German-style system of supervisory boards. The pros and cons of a two-tier board system do, of course, raise very wide issues, but this episode does remind us that a fresh debate on the respective roles of the different stakeholders in the governance of the company is long overdue.

David Lea,
assistant general secretary,
Trades Union Congress,
Congress House,
Great Russell Street,
London WC1B 3LS

Picking up tab for ill-conceived energy gimmick

From Dr L G Brookes.

Sir, Bronwen Maddox's article (Business and the Environment, February 16) about funding the Energy Saving Trust by putting a surcharge on fuel bills throws the spotlight on a thoroughly disreputable proposal.

The whole concept of centrally inspired energy efficiency is deeply flawed. First, it presupposes that a whole host of microeconomic decisions can lead to a predictable and desirable macroeconomic result. Second, it is neither one thing not the other: it does not lead to optimal economic resource allocation, nor can it be the basis of targeted energy savings.

This is because its effects are unpredictable as well as being economically sub-optimal.

Thus the economy as a whole is set to bear the burden of mis-allocation of resources and individual fuel consumers – including those like me who clearly see the flaws – are paraded to pick up the tab for an ill-conceived gimmick.

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FINANCIAL TIMES

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Bundesbank cuts rates

The Bundesbank loves to tease. Certainly, the half a percentage point cut in the discount rate announced yesterday was surprising to many, at least as to timing. The first question this cut raises then is what it means. The second is whether the Bundesbank's monetary policy makes sense.

One thing it shows is that the interest rate trend remains downwards. It also indicates that the rate of decline has slowed. Between early February 1993 and yesterday, the discount rate was cut by 3 percentage points. But the last cut prior to yesterday's was almost four months ago, on October 22 last year.

This relatively lengthy delay is only one reason for believing the Bundesbank has become very cautious about the pace, and perhaps the extent, of easing. There are two others: first, the Lombard rate has been left at 6¾ per cent, so returning the spread between the two benchmark rates to 1¼ percentage points; second the repo rate has been left at 6 per cent, where it has been since December last year. Although the cut has given the Bundesbank room for manoeuvre, it suggests no great urgency in actually making cuts. But one benefit it gains by acting now is the ability to lower market rates of interest during any strike by the engineering workers, while avoiding publicity.

The cut also demonstrates that the Bundesbank is not rigidly monetarist. With M3 growing at an annualised rate of 8.1 per cent, such a Bundesbank would have no case for easing. Aware of the problem, it argues that the monetary figures have been distorted by exceptional credit demand due to the increased taxes. Arguing away inconvenient M3 figures is no new experience for the Bundesbank. It has become an art form.

At least since unification, there has been no sensible alternative. The divergence between the monetary numbers and virtually all other indicators has made that inescapable. The money numbers may be growing fast, but seasonally-adjusted consumer price inflation has fallen to an annual rate of 2½ per cent over the past six months. This decline in inflation largely reflects the rapid decline in wage inflation. With industrial output in December 1993 still 11 per cent below its peak in February 1992 and showing virtually no sign of recovery, workers have little choice.

Under the presidency of Mr Hans Tietmeyer, the Bundesbank may prove more "pragmatic" and less "monetarist" than under his predecessor, Mr Helmut Schlesinger. But the difference from one president to the next is far more one of degree than of kind.

The fundamental question, however, is whether the Bundesbank has been getting these pragmatic judgments right. With disinflationary pressures strong and the monetary stance, judged by the shape of the yield curve, no more than neutral, yesterday's cut underlines the caution of German monetary policy. Given what happened at the time of unification, that is understandable. But it looks excessive, nonetheless.

Back to the table

South Africa's constitutional chicken is coming home to roost. Unless the country's political leaders return to the negotiating table and tackle unfinished business, April's election will unleash hostilities that could even trigger a civil war.

The constitutional agreement reached last November was a remarkable achievement, but it had one fundamental flaw. It gave the central government executive, in which the African National Congress is almost certain to be the leading player, overriding powers over almost all areas of provincial government. This issue, exacerbated by a dangerous mix of ethnic differences, party rivalries and personality clashes, is at the heart of the increasingly bitter dispute between Chief Mangosuthu Buthelezi, the Inkatha leader whose stronghold is Natal province, and Mr Nelson Mandela, the ANC president.

Mr Mandela has attempted to defuse the growing crisis by offering concessions on the constitution. The ANC has dropped its opposition to provincial balloting in April, thus allowing regional leaders to prove the substantial support they claim to enjoy on their home turf. But this will be of little consequence unless it is made clearer just what power regional leaders can exercise through the provincial assemblies.

Mr Mandela should make more substantial concessions in an effort to meet Chief Buthelezi's concerns. Otherwise, they might have little impact on the crisis. Nevertheless, Chief Buthelezi should also make the most of Mr Mandela's overture. A door that seemed closed is now ajar. The Inkatha leader boycotted the final rounds of the constitutional talks, arguing that the alliance between the ANC and the government allowed them to steamroller their constitutional model through the conference.

At this critical stage in South Africa's history he should join in, putting his case and setting out minimum terms for ending his boycott of the April poll. For his part, Mr Mandela must give more substance to the existing constitutional blueprint and dispel suspicions that the ANC pays only lip service to the principle of decentralisation. Western countries keen to foster free elections in South Africa could help by making clear that those elections can only succeed if governed by a constitution that provides a sound foundation for democracy.

An unbridgeable gap may remain at the end of the day. The ANC and the National party, having gone as far as they think they can towards meeting Chief Buthelezi's legitimate concerns, may still have to proceed without him – facing him with the choice between conceding, in the interests of a stable South Africa, and pursuing his threat to disrupt the elections, in the name of democracy. Chief Buthelezi must now grasp what may be the last opportunity to reconcile these dangerous and deep-rooted differences peacefully.

Greek disgrace

Convention requires that the state holding the presidency of the European Union show restraint in pushing its national views and interests where these are at odds with those of its partners.

Greece gave some sign of observing that convention last week when it allowed the EU and Nato to adopt resolutions threatening air strikes against the Bosnian Serbs. But on Tuesday it threw presidentialism to the winds by banning the former Yugoslav republic of Macedonia from using the Greek port of Thessaloniki, which had become its main lifeline since war and sanctions cut off access to the Adriatic.

Such unilateral interference with the EU's external trade by a member state is of dubious legality, and should be challenged in the European Court of Justice. Politically, it is an affront to Greece's partners, which are unanimous in wanting to help Macedonia, and thoroughly misguided even from the point of view of Greek national interests – as indeed Greek policy has been ever since Macedonia declared its independence two years ago.

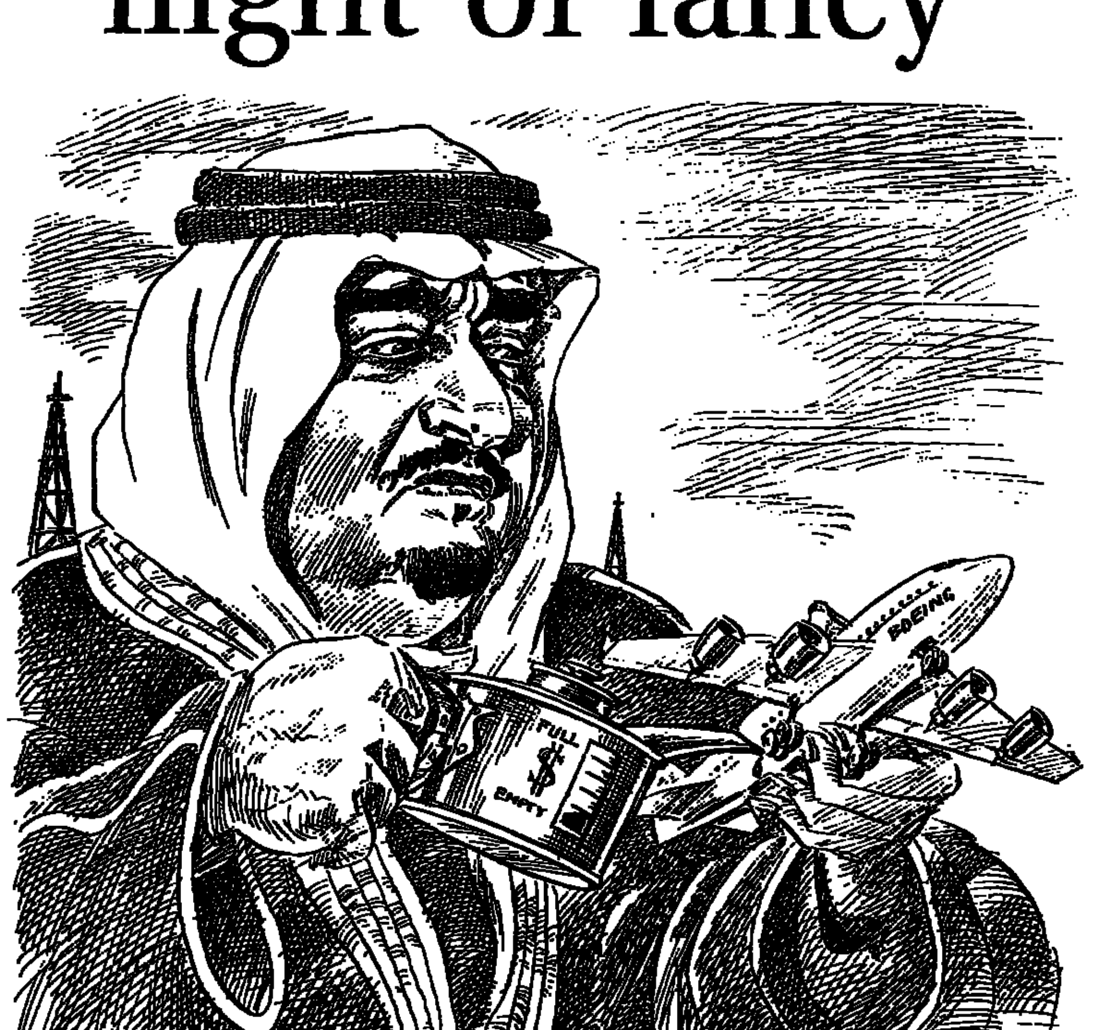
Greece insists on seeing the use by a neighbouring state of the name "Macedonia" and of symbols derived from ancient Macedon as a threat to its territorial integrity. Unlike Bulgaria (which has much better reason to feel unnerved by the emergence of a state whose national "language" is in fact a dialect of Bulgarian, spoken by a significant minority of the Bulgarian population), Greece has failed to see that the stabilisation of Macedonia is very much a Greek interest, since its collapse would bring the war of Yugoslav succession right up to Greece's borders.

Such a collapse is by no means a purely theoretical danger. Macedonia has a large and discontented Albanian minority, so far represented within the coalition government but coming increasingly under radical leadership manipulated from the Albanian capital, Tirana, while threatened by the equally radical Macedonian nationalist opposition. A much smaller Serb minority had settled its grievances with the government last August, only to see its leader resign after a visit to Belgrade, whereupon a new leader (born in Serbia) repudiated the agreement and produced a new set of demands. Serbia's President Milosevic weeps crocodile tears over the dangers of Albanian separatism. "If such processes continue, I am afraid that there will be nothing for Greece to recognise," he told the Greek foreign minister last November.

To resist such pressures, Macedonia badly needs political and economic support. In depriving it of its last main trade route, Mr Papandreou is pursuing domestic political advantage, at the risk of a wider Balkan war. His compatriots should realise, if he does not, that in so doing he adds to the intense irritation with Greece already felt by many of its EU partners. That can hardly be a wise policy for a country so heavily dependent on EU funds.

Saudi Arabia's $6bn aircraft order might be the last flourish of a bygone era, say **Roger Matthews** and **Mark Nicholson**

Desert kingdom's flight of fancy



The timing of Saudi Arabia's announcement that it is to spend $6bn on purchasing a fleet of passenger aircraft for its domestic carrier could hardly have been less auspicious. For while President Bill Clinton sought to reap domestic political benefit from this latest success of the US aircraft industry, Saudi Arabians were watching the price of crude oil plunge below $13 a barrel for the first time in five years.

It will not be surprising if the financing details and delivery dates for the deal take some time to work out. US and western interest in Saudi Arabia for the past year has focused primarily on the government's worsening economic plight, caused by the 20 per cent decline in oil prices. The main question waiting to be answered was where the spending axe would fall, not where the next large contracts would be placed. Although the US appears now to have tied up the kingdom's aerospace market for the next decade or more, the $6bn order may yet be remembered as the last flourish of a bygone era, rather than a reliable guide to the future.

Saudi Arabia is, of course, no stranger to wild fluctuations in annual oil revenues. It chose for one year in the early 1980s to accept a $100bn fall in income. But it appears to have no strategy for reversing the present slide in prices, and has only very modest financial reserves to cushion the impact. One senior banker in Riyadh is already forecasting a 5 per cent contraction in the economy this year.

If the economic trend is clear, the political response to it remains in some doubt. At the beginning of the year the government announced that it was slashing budget expenditure by 20 per cent, while in Washington, Prince Bandar bin Sultan, the Saudi ambassador, negotiated a slowdown in payments to several of America's biggest defence contractors. For the first time in its modern history, the government is also having to consider measures that will nibble at the unwritten pact between the ruling family and the rest of the population: no representation equals no taxation.

Changes to the political side of the equation have already been made, albeit with the caution inherent in deeply conservative regimes. In January, after a gestation period of three decades, King Fahd bin Abdul Aziz finally gave birth to the idea of creating a 60-man *majlis al-shura*, or consultative council, whose task is to advise him and the government on selected policy issues. From a western perspective it scarcely heralds the dawn of Saudi democracy, but within the local context it was widely viewed as an important step towards popular participation in government.

The council can only advise, and then solely on issues selected by the king. But with two-thirds of the members holding advanced degrees from western universities, they could inject a fresh approach and perhaps a hint of urgency into the way Saudi Arabia faces up to the longer-term consequences of its descent from sudden, enormous wealth to that of a middle-income country with a per capita gross national product less than half that of the UK.

President Saddam Hussein can claim responsibility for having stripped away the financial safety net with which Saudi Arabia protected itself from previous sharp falls in oil revenues. The estimated $55bn-$60bn which it cost the kingdom to fund the international military effort required to drive the Iraqis out of Kuwait forced Saudi Arabia into borrowing $4.5bn, its first international loan. Reserves immediately available to the government now stand at little more than $6bn. Net official foreign reserves are closer to $70bn, but more than 80 per cent of that accounts for statutory cover for the currency, amounts held against letters of credit, liabilities to the commercial banks, and loans which will never be repaid.

The loss of reserves lends greater weight to the arguments of those calling for more emphatic official action to reduce the substantial budgetary and current account deficits. A report nine months ago by the International Monetary Fund warned: "The medium-term outlook is for growing budgetary and external current account deficits because current expenditure growth, even if modest, is not expected to be matched by an increase in oil receipts. Such developments would be unsustainable and could cause damage to the economy."

Since then the forecasts on which the IMF based its assessments have worsened significantly, mainly because of the fall in the oil price, but also because the government is

Saudi Arabia appears to have only very modest financial reserves to cushion the impact of the slide in oil prices

unlikely to have stayed within the spending limits it set itself for 1993. In 1992 it had set out with the intention of lopping some 28 per cent off spending, but in the event expenditure of about $55bn was some $11bn over target. The overall budget deficit expressed as a percentage of gross domestic product was about 10 per cent, some three times greater than forecast, and more than double that of the US. Further efforts last year to trim spending are likely to have been more than offset by the decline in oil revenues, leaving the deficit/GDP ratio still stuck obstinately in double figures.

Against this background it was no longer credible for the government to announce, once again, that it was merely planning to cut expenditure. It was already obvious that government spending would have to decline in line with oil revenues, just to avoid the deficit worsening. On present oil price trends, and assuming a continuing Saudi output of 8m barrels a day, revenues this year might not top $30bn.

This would suggest total budget receipts of about $38bn, compared with the $53.6bn forecast by the IMF in its last report. This possible shortfall of $15bn is partially acknowledged in the scant details released of the 1994 budget, which has set spending at $42.7bn, a claimed reduction of some 20 per cent. Saudi Arabia is thus left in the uncomfortable position of having to cut deeply, but without any assurance that it can reduce the domestic borrowings needed to fund the budget deficit.

The IMF has already warned that even if the authorities kept to their targets, in 1993 total debt would rise from 56 per cent of GDP to 60 per cent, and unless further stringent measures were adopted would rise to 80 per cent in 1997. The budgetary implications of a mounting debt-servicing requirement are clear, but what is also of concern to the private sector is the extent to which increased government borrowing will squeeze funds available for non-official projects. The repatriation of funds since the end of the Gulf war has been sufficient to ensure plentiful banking liquidity, even after government borrowing, but bankers admit that it is not a trend that is guaranteed.

Those flows and the slowdown in fulfilling arms contracts should also help ease the country's balance of payments problems, which have mirrored those of the budget. The $19.4bn current account deficit in 1992 was more than $8bn over forecast, and the 12 per cent fall in the value of imports during the first half of last year is likely to have been more than offset by the subsequent decline in oil revenues. Further international borrowing, although probably not directly by the government, therefore seems inevitable.

The good news for Saudi Arabians, except for the princely few pocketing hefty commissions, is that cutting some of the fat from the budget is not a very onerous task. After the start of the Gulf war, the government went on a $30bn arms spending spree, in part to thank its allies for their help. But some military advisers in Riyadh

Spending on items such as education, healthcare and housing will mount for the rest of the decade and beyond

claim that little of the new equipment is required to ensure the defence of the kingdom against present known threats, especially as the US personnel can swiftly make operational the equipment left behind after the war in Kuwait.

The first modest attempt to address the situation has been the rescheduling of $6bn out the $9bn in payments due to US companies over the next two years for the purchase of F-15 fighter aircraft. That may have provided some official justification for the decision to go ahead with the civil aircraft order. Other delays in payments, agreed with defence contractors, are likely to follow, with the possibility of outright cancellations held in reserve.

A similarly modest start has also begun on reducing planned increases in domestic capital spending, with Saudi Aramco, the national oil company, scaling down or cancelling projects, including a new $100m head office, and the heaviest spending ministries reviewing their plans for the year.

The astonishing $2.1bn spent on subsidising wheat production in 1992 – making the desert kingdom the world's sixth largest exporter – was due to have been cut last year by $700m. The crop also absorbs an estimated 90 per cent of the nation's annual water consumption, a commodity that on present rates of extraction has a lower life expectancy than oil, which would seem to make the argument for further sharp subsidy cuts not just financially sensible but imperative for the nation's long-term viability.

But the ripest target of all is still not discussed publicly in the kingdom. As the IMF team was told by officials last year: "Political and social considerations preclude a reduction in subsidies or an increase in fees or charges." In other words, hands off one of the world's most comprehensive welfare states, which guarantees its citizens a virtually tax-free environment and provides many basic services at no, or little, cost.

It is that issue which, for the senior members of the House of Saud, appears to lie at the heart of maintaining unchallenged political power. But it is equally an issue that will not go away, with the indigenous population having officially topped 12m and growing at about 3.5 per cent annually, one of the highest rates in the world.

The burden of recurrent and infrastructure spending on items such as education, healthcare and housing is certain to mount for the rest of the decade and beyond. Unless the balance of world oil supply and demand confounds most present predictions, which includes the assumption that at some point Iraq will resume exports, the government will have to supplement budget spending cuts with revenue-raising measures and find more ways of channelling individual wealth into the national exchequer.

One of the long-held tenets among professional Saudi watchers is that the greatest threat to the stability of the regime would come from a serious breakdown in the cohesion of the extended royal family. If social equity was to play any part in the government's future revenue-raising plans, it is precisely that group of people who would be expected to contribute most. This is possibly where the newly formed consultative council will eventually find its niche: as the cautious proponent of ideas which are commonplace among nations with similar income levels, but still politically incorrect in Saudi Arabia.

Meanwhile, the government will continue to count its blessings, foremost among them 25 per cent of the world's known oil reserves and the possibility of being able to continue producing 8m barrels a day for at least the next 100 years. Saudi Arabia can also derive some satisfaction that its two greatest potential external threats, Iraq and Iran, are mired in their own domestic problems, while continuing peace efforts are defusing the threat of further Arab-Israeli conflicts. The decision to press ahead with the $6bn aircraft order serves in part to underline those strengths.

It also reinforces the government's desire not to rock the domestic boat more than absolutely necessary, which is, as ever, likely to prove the best guide to future Saudi policy. Even so, there is little prospect this year of much cheering news to offset the country's more sombre economic long-term prospects. More than a passing thought should be spared for the responsibility resting on the shoulders of the national soccer team on June 20, when they take the field for their first World Cup match, against Holland, in Washington. A win, even a goal, might be worth more politically to the House of Saud than a dollar on the price of oil.

OBSERVER

Correlational correctness

■ Some interest rate-watchers swear by the money supply figures; others watch the exchange rate. But Midland Bank's Alison Cottrell, 29, who has lived far too long in Roger Bootle's shadow, prefers to check the calendar of international events. Yesterday's cut in the Bundesbank discount rate suggests she's cracked it.

Cottrell has been counting the number of times that the Bundesbank fiddles with its interest rates just before a big economic happening. "It's like sun spots. You know they don't mean anything but they sometimes work," says Cottrell. When she heard that the next G7 finance ministers' meeting was to be in Frankfurt on February 26, she let everyone know she smelt an interest rate cut.

What next? Cottrell has put red rings round the Bundesbank meetings on April 28, a few days after the IMF's spring bash in Washington, and May 26, a few days before the OECD's annual jamboree. "Correlation is not causation, but who cares?" says Cottrell. Sound thinking.

Off limits

■ Fresh evidence that France's car thieves are not going to be cowed by government interference. Less than a week after Edmond Alphandéry, the French economy minister, summoned the *crème de la crème* of France's motor and insurance industries to discuss the growing problem of car theft, Nicolas Sarkozy, France's super-efficient budget minister, has had his official motor nicked.

Acute mistake

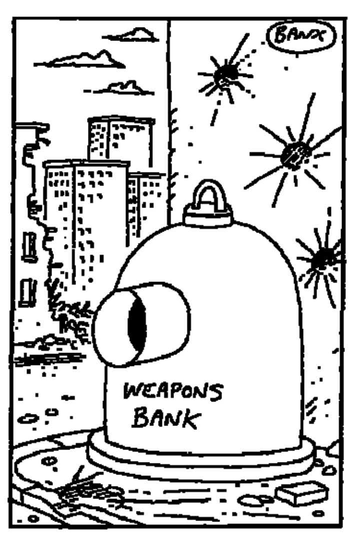
■ It takes a lot to stop the printing presses at the Banque de France. France's central bank had printed 200m crisp FFr50 notes before someone spotted a spelling mistake the other day.

The note, which bears a portrait of the late writer, Antoine de Saint-Exupery, mis-spelled his surname by adding an extraneous acute accent on the capital "E". The bank said it was not a device to catch forgers but an old-fashioned, low-tech printing error which had since been rectified.

Coming only days after another defect was discovered – the note shrinks in the wash and loses its foolproof magnetic codes – it's a big blow to French monetary pride.

When the Bank of England got George Stephenson's birthday wrong on its £5 notes, it spotted the mistake before they went into circulation.

By contrast, there are now 200m flawed French banknotes in circulation and, with no plans to withdraw them, there is no chance



of their becoming collectors' items.

Perhaps the Banque de France's printing works should be added to the privatisation list?

EC networker

■ James Elles, 44, the Old Etonian son of Baroness Elles, has dreamt up a spiffing way of getting free air tickets across the Atlantic for him and his chums in the European Parliament. The Tory MEP for Oxford and Buckinghamshire has set up something called the Transatlantic Policy Network.

Its aims – strengthening the US-European alliance now that the cold war is over – sound pretty grandiose. But Elles has persuaded US Democratic party big-wig Bob Strauss and Gatt director Peter Sutherland to climb aboard as honorary presidents – so he should be able to drum up plenty of support on both sides of the Atlantic.

Who knows, it could prove a nice little bolthole for Elles if, heaven forbid, he loses his seat in the forthcoming European elections.

Wicked

■ Britain's education secretary, John Patten, thinks kids are not sufficiently godfearing. Perhaps he should be directing his campaign at Japan – or specifically at a Japanese couple who tried to register their baby son with the name Akuma, which means "devil". The justice ministry was unhappy with this moniker and, after a seven-month tussle, Shigeharu Sato, the hitherto stubborn father, has given in. He is following his wife's suggestion. She has plumped for Jin, which means "God".

Casting wide

■ It is not often that British Aerospace is held up as a role model. However, its speedy choice of a new chairman to replace John Cahill may help Fokker, the loss-making Dutch aircraft maker, narrow its search for a successor to Erik Jan Nederkoorn.

Nederkoorn, who seems to have been even more unpopular with some of his troops than Cahill, quit Fokker after failing to get the board to agree to his restructuring plans. However, the Dutch are still smarting over last year's sale of a 51 per cent stake in Fokker to Germany's Dasa, so it's extremely unlikely that the controlling shareholder dare parachute in a German, at least at this early stage. On the other hand, Dasa is thought to be reluctant to hand over the helm to yet another prickly and emotional Dutchman.

Fokker's headhunters, Egon Zehnder, could do worse than follow BAe's lead and suggest a chairman from a neutral country. BAe does not expect any difficulty getting its articles of association changed so that it can accommodate America's Bob Bauman.

Taking the biscuit

■ An explanation arises for the number of large unwieldy sub-committees and interminable meetings held at the Institute of Chartered Accountants in England and Wales. A "biscuit memo" is doing the rounds at Moorgate Place, the institute's London bastion. It decrees no coffee for meetings that last less than two hours, and no biscuits at all unless outside volunteers are in attendance. Shaken rather than stirred, seems the bean-counters' response.

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Nordic and Alpine applicants likely to pay less to join EU

By David Gardner in Helsinki and Hugh Carnegy in Stockholm

The four Nordic and Alpine countries now in final talks on entry to the European Union seem likely to pay much less than expected for membership.

Figures the European Commission put on the negotiating table for the first time this week show that Austria, Sweden, Finland and Norway would together contribute Ecu6.1bn (£4.62bn) into the EU's Ecu70bn budget, and together take out Ecu4.4bn, making a net contribution of Ecu1.7bn.

Previously, informal Commission calculations had suggested that the four applicant countries – all richer per capita than the EU average – would together make a net contribution two to three times higher than the net contribution now on the table.

The Commission's figures show that Finland, against all forecasts, would be a small net beneficiary from the Brussels kitty, partly because it is emerging from a three-year contraction in national output of nearly 15 per cent. It would in its first year of membership receive a net Ecu119m from the EU budget, paying in Ecu982m and receiving Ecu1.1bn.

Austria would pay in nearly Ecu2.1bn and receive Ecu1.3bn, contributing a net Ecu752m. Sweden's balance would add up to an Ecu765m net contribution. Norway would pay in just under Ecu1.1bn, receiving from Brussels Ecu701m - net payment of Ecu362m.

The Commission's figures are being examined by the 12 EU member states, and may alter after talks beginning next week on agriculture and regional aid subsidies.

The figures could strengthen public support for membership in the applicant countries, but poorer member states, led by Spain, are determined that the northerners pay an entry fee to the EU club which reflects their comparative wealth. must

Sweden accepted it would ultimately be a net contributor to the EU. But the finance ministry said that the EU's calculation for Sweden's gross contribution next year, 1995, of around Ecu2.2bn amounted to 1.2 per cent of gross domestic product and was too high.

The finance ministry said that in effect it could not afford a net contribution in 1995 because of Sweden's large budget deficit. Sweden would demand its budget contribution did not exceed its receipts from the EU.

Sweden proposed that its contribution would increase over the next four years, ultimately reaching the Commission's figures.

Finnish officials were cautious about the Commission's opening gambit yesterday. Finland's estimated contributions were similar to the Commission's but, said Mr Tapio Mutikainen, a senior budget official at the finance ministry, "contributions are easier to estimate than our receipts."

But Mr Antti Kuosmanen, a Finnish foreign ministry negotiator, said the Commission calculation excludes Brussels' share of the EU's suggested compensation for applicants' farmers. EU

ANC set to detail S Africa concessions

By Patti Waldmeir in Cape Town and Matthew Curtin in Johannesburg

The African National Congress was last night preparing to give more details of its proposed constitutional concessions in an effort to avert a violent boycott of South Africa's all-race elections in April.

Although rightwing leaders initially rejected the ANC offer as a "publicity stunt", they appeared to keep open the possibility of further talks.

Chief Mangosuthu Buthelezi, leader of the Zulu-based Inkatha Freedom party, condemned the proposals unveiled on Wednesday night, saying they represented no more than "cheap politicking on life and death issues".

However, he said later he would participate in elections if the ANC "walks the extra mile" to improve its offer. Mr Nelson Mandela, ANC leader, and President F. W. de Klerk said they did not believe Chief Buthelezi's comments were a final rejection.

The ANC is offering stronger powers for the country's provinces, and separate ballots to elect provincial and national representatives. Mr Mandela said it might give further concessions in an attempt to persuade Chief Buthelezi and white rightwing leaders to drop their threat to boycott the elections.

Speaking in The Hague before talks with Mr Ruud Lubbers, the Dutch prime minister, he took a conciliatory line despite the angry words from Chief Buthelezi. "In a case where you are trying to build a new country there can be no last concessions," he said. "We want an inclusive process and we will do everything in our power to ensure that everybody participates."

Inkatha's main objection to the proposals is that they do not go far enough to strengthen the powers of provincial governments, although they do guarantee that the powers set out in the 1993 constitution will be protected against future interference by an ANC-dominated constituent assembly.

The ANC was last night still drawing up detailed proposals, making it difficult to judge the exact extent of the concessions offered. But government and ANC officials admitted that Inkatha's demand for strengthened provincial powers was only partly dealt with.

Political analysts said they believed the ANC was making a genuine effort to accommodate Inkatha and the white right, but without compromising its primary goal of ensuring that a strong central government is able to enforce its economic plans throughout the country.

ANC officials hope they may split the right and persuade moderate rightwingers, such as Gen Constand Viljoen, an Afrikaner leader, to participate. Gen Viljoen has agreed to meet the ANC today.

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EU rift feared over Greek blockade

By Gillian Tett in Brussels

Greece's blockade against Macedonia could cause a serious diplomatic split in the European Union and further complicate policy towards Bosnia, Brussels officials warned yesterday.

Commission officials indicated they had been surprised and angered by the Greek government's decision to close its border to the former Yugoslav republic, not least because Greece holds the EU presidency.

"It is bad enough for a member state to act like this, but it is even worse when it is heading the union," commented one senior Commission official, who feared the action could inflame Balkan tension.

Mr Jacques Delors, Commission president, was last night quoted as saying: "This is not good either for the building up of Europe or for family spirit" within the Union.

Mr Hans Van den Broek, external affairs commissioner, yesterday flew to Athens where he was due to meet Greek officials. His visit forms part of a regular meeting between Russia and foreign ministers from the three members of the EU "troika" – Germany, Greece and Belgium, the future, present and immediate past presidencies. However, EU officials indicated that Mr Van den Broek was likely to seek to use the meeting to put pressure on Greece over the issue.

Mr Nicolaas Wegter, Commission spokesman, said the situation had caused concern and "clarification" was being sought from Greece.

France, Germany and Belgium all expressed worries over Greece's refusal to let Macedonia use the port of Thessaloniki, Macedonia's main sea outlet.

Meanwhile, Denmark asked for the EU foreign ministers to discuss the issue when they meet in Brussels on Monday.

With some officials now suggesting Greece's action may contravene EU regulations governing trade and foreign relations, the Commission's legal services have been asked to consider the legality of Greece's action.

However, diplomats are unclear about what action can be used against Greece after its move, which follows a month in which it sought to distance itself from Nato's threat of air strikes against the Bosnian Serbs – a traditional ally.

In spite of the deep irritation felt by some Commission officials, fears about creating a deep rift in the Union has left many unwilling to demand any co-ordinated European action against Greece, not least because it is too early to be sure what the blockade of the port will entail.

"If it's a matter of oil, that is serious and that will be a big problem. But reports suggest that it might be less than that," commented one diplomat.

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THE LEX COLUMN

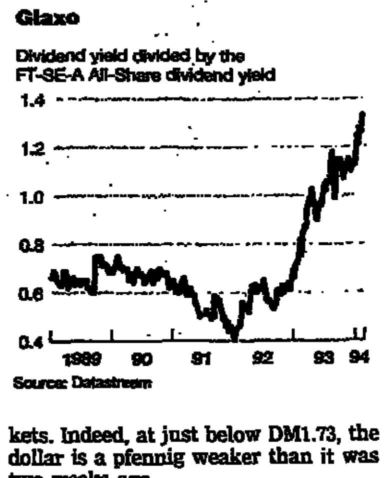
Glaxo's sweeter pill

Glaxo delighted its fans yesterday by flexing its financial muscles. Its 29 per cent interim dividend increase comes on the back of £1bn of interim profits and makes it all the harder to understand why Glaxo's shares have underperformed the market by 19 per cent over the past year, moving to a substantial yield premium. It takes an extraordinarily dim view of the world to believe Glaxo is not capable of sustaining above-average dividend growth for the foreseeable future. With £2bn in the bank to fund any strategic moves, Glaxo could afford to divert almost all its free cash flow into shareholders' pockets, promising a cash bonanza.

Glaxo's underlying business is certainly demonstrating resilience in trying times. Zantac still produced a 5 per cent sales increase at constant exchange rates – although that growth may finally slow this year. New products, though, are performing well with Imigran, in particular, beginning to deliver on its promises.

Despite the successes, Glaxo cannot conclusively counter the doubters who believe industry margins are about to change for good. As yet, such doubts are unanswerable. It may be that Glaxo's worrying sales falls in Germany and Italy merely reflect local difficulties and cyclical influences. Then again, they may really presage deeper structural changes. Glaxo appreciates the need to adapt fast in the US where Merck's merger with Medco threatens to transform the marketplace. Glaxo boasts the financial strength to contemplate any number of options. But the expectation of such moves may limit any bounce in Glaxo's shares in the meantime.

FT-SE Index: 3425.3 (+7.6)



Source: Datastream

Bundesbank

Once again, the Bundesbank has shown a capacity to surprise. Having failed to cut the discount rate at its meeting two weeks ago, it duly lopped half a point off the rate yesterday although not much, at least domestically, has changed in between. The trend in consumer prices and the weakness of the economy certainly justify lower rates, but January money supply growth will again be well outside the target range and the outcome of the metal workers' pay negotiations remains uncertain.

The big difference is that the US tightening, which the Bundesbank must have expected two weeks ago, has been and gone without any serious disruption to the exchange markets. Indeed, at just below DM1.73, the dollar is a pfennig weaker than it was two weeks ago.

The Bundesbank's move could thus be taken as confirmation that tighter US money need not impede European rate cuts. But in cutting its discount rate, the Bundesbank has simply created room to edge down its securities repurchase rate which actually sets the tone for the money markets. The repurchase rate was left unchanged at 6 per cent, indicating that the Bundesbank intends to use its newly-created headroom cautiously.

Perhaps more important, the excitement in bond markets around Europe was short-lived. They fell back after the New York market had second thoughts about the latest US inflation figures. The exchange market may have regained its composure, but even the prospect of lower short-term rates is not enough, it seems, to allow European bond markets to decouple from the transatlantic trend. Unless that happens, the Bundesbank may become still more cautious about the speed with which it allows money market rates to fall.

GKN/Westland

There is an air of unreality about GKN's bid for Westland. While technically a hostile offer, it has been couched in very conciliatory terms. Sir David Lees, GKN's chairman, clearly hoped that a recommendation might be forthcoming, and the company seems slightly embarrassed that it is attacking a board whose non-executives include a GKN appointee. Equally, Westland's remarks, while urging no action, have been cautiously neutral. GKN's 45 per cent holding also lends a certain inevitability to proceedings.

The phoney war may be about to hot up. Westland's resolve to fight seems to be hardening as it reviews its prospects. Its chances of survival will hinge on persuading investors that some large potential orders for the EH101 helicopter will be translated into sales. That might just paint a sufficiently attractive prospect to put Westland's shares above the price GKN was prepared to pay. There is also the ticklish question for the Takeover Panel of what exactly would be required for GKN to claim control, since the exercise of convertible rights could dilute GKN's stake down to 40 per cent over the next year.

On the other side, GKN will have to work hard to persuade investors of the industrial logic of its argument. It must also convince Westland shareholders to accept its cash because prospects are uncertain, while hoping its shareholders will take up the rights issue because Westland is attractive. The gentlemanly conduct of debate so far has been a credit to both sides. With the complex issues far from settled, the combatants will do well if they can keep it that way.

Volvo/Renault

The haste with which Volvo and Renault have gone their separate ways is quite revealing. Renault and the French government were doubtless keen to unravel the cross holdings quickly to simplify the privatisation process. Volvo had been left in little doubt by its shareholders that rapid action was required. Even so, such a quickie divorce implies that the operational relationship was hardly close.

The two companies now face complementary problems. Neither truck business is large enough to stand alone, but Renault's perennially loss-making business is the harder challenge. In cars, Renault is better placed with new models and the volume to fund development. Yet it is essentially a European company and does not have the brand recognition elsewhere which Volvo could have provided. Volvo may be a world brand, but its lower volumes must limit its longer term independence. Still, it is difficult to see a potential partner in Europe. Finding one with Honda or Mitsubishi in Japan may also be hard now it has wrapped itself in the Swedish flag and Rover has proved how perfidious Europe can be.

Volvo and Renault to scrap strategic accord

Continued from Page 1

swap. Volvo will buy back Renault's 45 per cent holding in Volvo trucks with 60 per cent of its 20 per cent holding in the Renault parent company when Renault is privatised. If the privatisation is delayed, Volvo is obliged to buy the truck holding for FFr4.5bn ($763m), a provision that suggests a valuation of Renault of about FFr37bn.

Renault holds a 3.45 per cent stake in AB Volvo and Volvo will hold an 8 per cent share in the Renault parent, but neither holding will have strategic significance. The Swedish group will pay Renault FFr1bn as the last tranche of a price-adjustment agreement linked to the 1990 accord. Volvo said it would write off SKr3.6bn ($445m) in goodwill and make a provision of SKr1.6bn related to the exchange of shares against 1993 income.

In Paris, the deal was seen as positive for Renault. It was welcomed in Stockholm where Volvo's most-traded B shares rose SKr14 to close at SKr692.

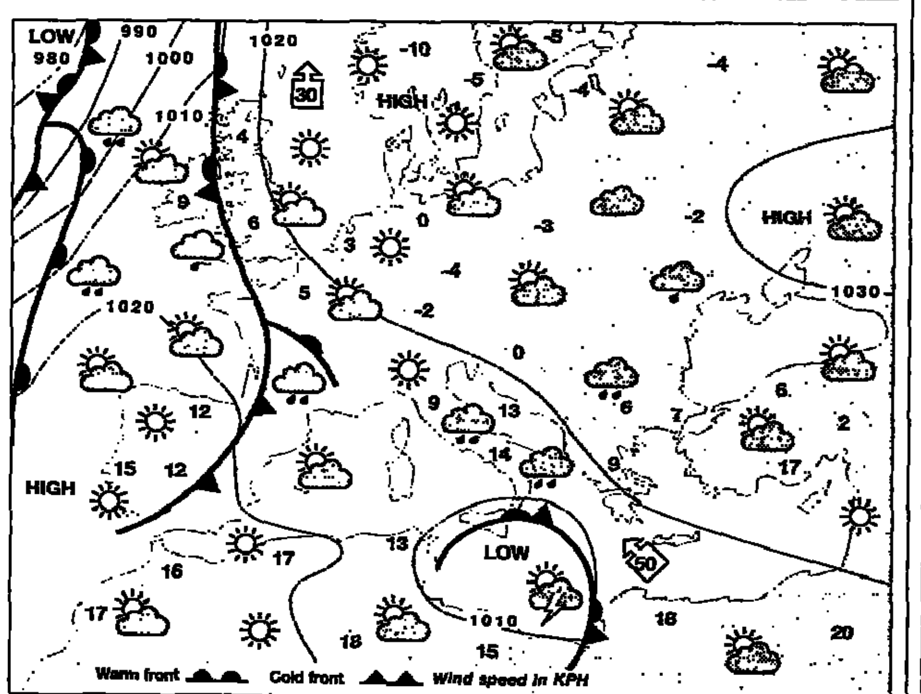
FT WEATHER GUIDE

Europe today

It will be wintry in many parts of the Continent. Southern Scandinavia will be sunny but very cold with light winds. Northern Scandinavia will have snow but temperatures will be above the seasonal norm. The Benelux countries, Germany and the Alps will be mainly sunny with high cloud. An upper-air disturbance will cause cloud and a few snow flumes in Poland and western Russia. Southern Italy and the Balkans will be overcast with showers. The northern Balkans will have snow. Mild and moist air from the Atlantic will bring cloud and rain to the UK and western France. Spain will have showers in the north while the south will be sunny.

Five-day forecast

A vast section of the Continent will be sunny but broken cloud will bring snow flurries during the weekend. Most places will remain below freezing during the day. Milder Atlantic air will stall over western Britain and western France, and it will be cloudy with rain and sleet on higher ground. Southern Italy and Greece will stay unsettled with widespread showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	23
Accra	fair	34
Algiers	shower	17
Amsterdam	sun	3
Athens	cloudy	13
B. Aires	fair	28
B.ham	cloudy	4
Bangkok	fair	35
Barcelona	fair	12
Beijing	fair	9
Belfast	cloudy	7
Belgrade	sleet	4
Berlin	sun	-1
Bermuda	fair	21
Bogota	cloudy	22
Bombay	sun	31
Brussels	sun	5
Budapest	shower	3
C.hagen	sun	0
Cairo	sun	22
Cape Town	sun	22
Caracas	fair	26
Cardiff	rain	4
Chicago	fair	12
Cologne	sun	4
D' Salaam	fair	26
Dakar	sun	23
Dallas	fair	23
Delhi	sun	24
Dubai	sun	24
Dublin	rain	8
Dubrovnik	rain	13
Edinburgh	fair	5
Faro	sun	17
Frankfurt	sun	1
Geneva	sun	-5
Gibraltar	sun	19
Glasgow	cloudy	4
Hamburg	sun	0
Helsinki	fair	-5
Hong Kong	shower	21
Honolulu	shower	25
Istanbul	fair	7
Jersey	cloudy	6
Karachi	sun	26
Kuwait	sun	19
L. Angeles	fair	15
Las Palmas	sun	20
Lima	cloudy	27
Lisbon	fair	15
London	fair	7
Lux.bourg	sun	4
Lyon	shower	-5
Madeira	fair	19
Madrid	fair	12
Majorca	fair	16
Malta	shower	16
Manchester	fair	5
Manila	cloudy	31
Melbourne	fair	23
Mexico City	shower	21
Miami	shower	25
Milan	fair	3
Montreal	fair	-3
Moscow	cloudy	-5
Munich	sun	-2
Nairobi	fair	28
Naples	shower	14
Nassau	shower	25
New York	fair	9
Nice	fair	6
Nicosia	sun	18
Oslo	sun	-5
Paris	fair	6
Perth	fair	38
Prague	sun	-4
Rangoon	sun	35
Reykjavik	rain	6
Rio	fair	28
Riyadh	sun	22
Rome	fair	12
S. Frsco	shower	11
Seoul	fair	7
Singapore	cloudy	31
Stockholm	sun	-5
Strasbourg	sun	0
Sydney	fair	25
Tangier	sun	16
Tel Aviv	sun	19
Tokyo	fair	10
Toronto	fair	4
Tunis	rain	13
Vancouver	rain	7
Venice	fair	5
Vienna	fair	-1
Warsaw	fair	-3
Washington	sun	14
Wellington	cloudy	23
Winnipeg	snow	-8
Zurich	fair	-3

FINANCIAL TIMES
COMPANIES & MARKETS
Friday February 18 1994

IBM cuts back on PC clones

By Alan Cane in London

International Business Machines is withdrawing its Ambra range of low-cost personal computers in Europe and closing down Individual Computer Products International (ICPI), the wholly owned subsidiary it set up to market Ambra products. It intends to concentrate on its own brands of low-cost PCs.

Industry experts said that the move, while unexpected, underlined consumer preference for well-known PC brands over less well-known ones, where there is little price difference.

Competitors, including Compaq of the US which is vying with IBM for global leadership in PCs, said it removed an aggressive competitor at the lower end of the market. They were concerned, however, that IBM's own brands would prove stiffer competition.

IBM said 64 jobs would go in ICPI's closure, but most were fixed contract or agency staff.

It said that its own low-cost branded products had proved so successful that it made no sense to maintain two competing lines. ICPI has sold some 140,000 computers and gained 1 per cent share of the European PC market since it was launched in June 1992. According to Dataquest, a US marketing consultancy, IBM has 14.7 per cent of that market.

Mr Bill McCracken, head of European operations for the IBM PC Company, said changes in the structure of the market forced the closure: "It is clear we can optimise both our customer offerings and financial returns by focusing on our IBM branded products."

The closure of ICPI ends one of IBM's more unusual European marketing strategies. Its market share had been under attack from "clone" manufacturers, which build PCs to IBM designs, but at much lower costs.

IBM's strategy through the 1980s had been to build premium products at premium prices. The clones undercut this when customers realised there was little difference in quality between low- cost clones and expensive premium · machines. IBM launched the Ambra range – IBM clones without IBM's name – as an interim measure in Europe and Canada while it developed its own low-cost ValuePoint, PS/1 and ThinkPad ranges.

IBM said the announcement would not affect Ambra Computer Corporation which makes PCs for sale in the US through advertising and telephone marketing.

Sources in the US suggest, however, that ACC is also under scrutiny.

IN BRIEF

Nordic bank cuts its losses

Losses at Swedbank, the Nordic region's largest bank in asset terms, narrowed sharply last year, helped by tough cost-cutting and reduced credit losses.Mr Göran Collert, chief executive, said the performance signalled the bank was on the road to recovery, with good prospects of a positive result in 1994. Page 16

TeleCommunications buys UK stake
TeleCommunications, the world's largest cable television company, is seeking a 20 per cent stake in a modest ITV company broadcasting to Wales and the west of England. Page 16

SAS to pursue alliances
Mr Jan Stenberg, who takes over shortly as chief executive at Scandinavian Airlines System, said SAS still intends to seek alliances that will make it more than a small regional airline. He was speaking in the wake of the collapsed Alcazar project to merge with three other European airlines. Page 17

Cott adds fizz to European colas
Cott Corporation, a Canadian group, plans to launch in Europe new private-label colas. The soft-drink brands are likely to be cheaper than Coca-Cola or Pepsi and offer retailers more generous profits. Page 18

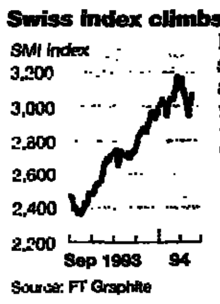
Sony edges ahead
Sony, the Japanese consumer electronics company, reported a 6.8 per cent rise in consolidated pre-tax profits in the three months to last December. Page 20

German bourses put ambitions on ice
Ambitious plans to upgrade share dealing technology on the German stock exhanges have been put on ice, the chief executive of the Deutsche Börse said yesterday. Instead the priority for the current year is to improve operating efficiency. Page 20

More stores for Wickes after rise
Wickes, the DIY and timber retailer, is to open 25 stores in each of the next three years. The group also announced a five-fold increase in full-year profits before tax to £17.8m ($26m) from a restated £3.46m last year. Page 22

Cheltenham & Gloucester advances 55%
Cheltenham & Gloucester, building society, the UK's sixth largest building society, reported a 55 per cent rise in pre-tax profits to £202m ($299m) in the year to the end-December 1993, as provisions for bad and doubtful debts fell sharply to £75.9m. Page 23

Swiss index climbs to peak



Source: FT Graphite

Investors in the Swiss stock market have become accustomed to almost automatic share price rises in the past couple of years. The SPI all share index climbed virtually without pause in 1993 and started this year on much the same trend, with a brisk advance of 6.4 per cent in January. But the party finally came to an abrupt end last week. Back Page

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)*

Rises			
BMW	859	+	31.5
Berliner Kraft	326	+	19.5
Lahmeyer	720	+	9
Porsche	849	+	9
Falls			
MAN	412.5	–	7
Schmalbach	372	–	17

NEW YORK ($)

Rises			
Allied Signal	81¾	+	1½
Boeing	47¾	+	1¼
Caterpillar	108¾	+	1¼
General Elec	109⅝	+	¾
Lotus Dev	64½	+	4½
Falls			
US Surgical	18⅜	–	2⅛

New York prices at 12.30pm.

PARIS (FFr)

Rises			
Air Liquide	857	+	16
Havas	468.9	+	11.5
Lyonn Eaux	586	+	14
Falls			
Docks de France	742	–	17
Essilor	729	–	9
Orsan	220	–	10

TOKYO (Yen)

Rises			
Mazda Motor	460	+	19
Nippon Light	590	+	23
Nippon Signal	1140	+	70
Falls			
Central Fin	475	–	20
Fudo Const	625	–	24
Nissoku	1280	–	180

LONDON (Pence)

Rises			
Antofagasta	1650	+	75
Ashwell Assoc	28	+	3½
Bank Leumi (UK)	450	+	55
Berry Birch	144	+	9
Betterware	159	+	8
Bakby	278	+	13
Bolton	33	+	5
City Site Est	80	+	6
Dagenham Motor	203	+	13
Glaxo	697	+	22
HTV	152	+	27
WIP Intl	393	+	20
In Shops	113	+	30
Intl Comms	12¾	+	2
Kells Minerals	37	+	3
McAlpine (A)	329	+	35
Pearson	720	+	20
Quadrant	41	+	4
Unigroup	41	+	5
Vtech	82	+	8
Falls			
Diploma	604	–	19
Intercare	140	–	5
Kleinwort Benson	832	–	20
Ward Hldgs	67	–	3

Flextech to take 20% of UK television station

By Raymond Snoddy in London

Flextech, the fast growing media group controlled by TCI of Denver, the world's largest cable television company, announced yesterday it was buying a 20 per cent stake in HTV, the ITV broadcaster for Wales and the west of England for around £27m ($39m).

The deal is the first in the current round of agreed and hostile bids in ITV to involve a non-ITV company.

Flextech, a former oil services company that turned itself into a media group owns, manages or has stakes in 11 satellite and cable television channels. They include five channels in the Sky Television multi-channels package.

Flextech is funding the deal with a placing of 6.59m new shares.

Mr Roger Luard, its managing director, said yesterday the alliance extended Flextech's reach from cable and satellite to UK terrestrial broadcasting.

"Flextech and HTV have a unique opportunity to build on this overlap to produce programming, to access facilities and to broaden the range of targeted audiences," Mr Luard said.

The deal, which effectively removes HTV from the list of potential UK television takeover targets, means that of all the large or medium-sized ITV companies, only Scottish Television and Yorkshire-Tyne Tees are not spoken for.

Yorkshire is not the most attractive target. It recently declared losses of nearly £8m and because it owns the present maximum of two broadcasting licences it would be difficult for another UK ITV company to mount a successful bid.

At the same time as outlining the Flextech deal, HTV announced a pre-tax profit of £3.3m for 1993 compared with a loss of £20.5m in 1992.

Earnings per share rose to 4.8p, compared with a loss of 29.5p in 1992. After passing the interim dividend, the company plans a 1p final payout.

"The last 12 months have seen a return to solid profitability," said Mr Louis Sherwood, the HTV chairman.

The Flextech offer is equivalent to 156p a share, representing a 25 per cent premium over HTV's closing price on February 16 and 32.5 times HTV's 1993 earnings.

Yesterday the HTV share price rose 27p to 152p and Flextech rose 8p to 444p.

Barbarians at the gate of independent television, Page 16

Kenneth Gooding on conflicting trends in the metals markets

Prices that defy the gravity of high stocks

Strange things are happening in the metals markets. Take this example. Although western world aluminium stocks are at a record 5m tonnes – enough to keep the world's consumers happy for nearly four months – buyers wanting metal for June and July from London Metal Exchange warehouses recently had to pay a premium to be sure of delivery.

Copper, lead, nickel, tin and zinc stocks are also overflowing from LME warehouses, and there seems little chance of a return to more reasonable levels until the end of this year.

Yet LME prices, a reference point for nearly all metals contracts worldwide, burst upwards in January. Even zinc, the worst-performing base metal, ended the month 17 per cent above its lowest point in the present economic cycle, while nickel and lead were 49 and 42 per cent above their cyclical lows.

The metal markets' aberrant behaviour can be traced to the arrival of new players – financial institutions and investment funds forced by low interest rates to widen their search for profitable ways to deploy their cash. The influx has provided welcome liquidity, but it might also have a negative impact, according to Mr Philip Crowson, chief economist at RTZ, the world's biggest mining company. By pushing LME prices up more rapidly than is justified by the fundamentals, it might delay actions – such as closure of outdated capacity – necessary to bring the market back into balance.

Also, Mr Crowson points out, because it does not take much money to move these markets, the funds' heavy reliance on chart-based technical trading makes prices more volatile.

Mr David King, LME chief executive, suggests that fund activity on the exchange is relatively limited – well under 10 per cent of the $3.5bn daily turnover. But it would not be healthy if the weight of fund money pushed prices "up or down substantially as they moved in or out of the market".

The potential for volatility has been well illustrated this month. After the Federal Reserve Board eased US interest rates upwards, the funds immediately reduced their exposure to metals and LME prices fell. But in the past few days most metals prices have recovered and seem determined to defy gravity.

Those who believe in fundamental-historical analysis insist that stock levels give the best indication of the health of metals markets. And metals stocks are sky high. LME warehouses around the world contain about 4.6m tonnes of metal valued at more than $6bn, representing 55-60 per cent of the western world's surplus metals stocks. This is a big change from the previous trough in 1982, when only 14 per cent of stocks were held on the LME.

This change helps explain why today's stock figures are sending out confusing signals. Traders suggest a great deal of LME stock has been "neutralised" by long-term financing deals. According to a December survey by Mr Alan Heap, of County Natwest Securities Australia, about 45 per cent of total LME stocks was held by financial institutions, either as collateral against loans to producers and consumers or as a speculative investment.

Much LME stock has been 'neutralised' by financing deals

This follows a shift in the LME's membership over the past 10 years: far more banks and financial institutions now operate on the exchange. "You only have to name a few names to get the feel of this financial muscle – Barclays, Crédit Lyonnais Rouse, Merrill Lynch, Goldman Sachs, JP Morgan," says Mr Ted Arnold, metals specialist at Merrill Lynch.

Some of these banks have a new activity – holding metals to earn the contango (or the premium over the cash price) which reflects the cash price, storage and insurance fees and interest costs during a contract period. Banks have been using their financial power to improve their earnings from the contango. They get better terms from warehouses, for example, by guaranteeing to leave metal in storage for one or two years. Mr Arnold suggests institutions have been earning a 6.45 per cent annual return in this way, attractive business at a time of low interest and low inflation.

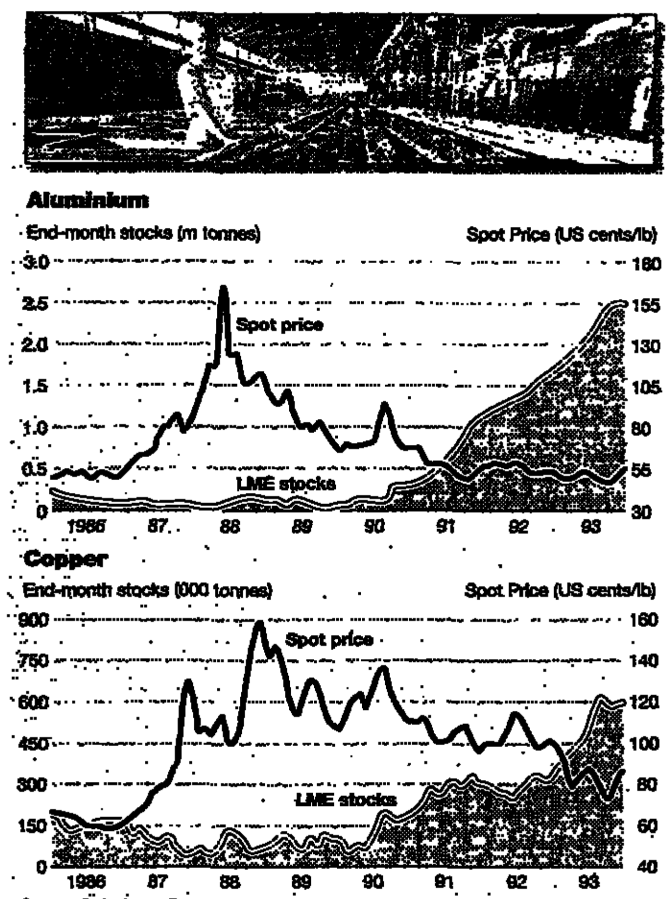
The aluminium market has been a prime target for this so-called "financialisation" of stock. Mr Stewart Spector, author of the New York-based Spector report on the industry, estimates that about 1.5m of the 2.5m tonnes in the LME's aluminium stockpile is tied up in this way. This would explain why sometimes it is not easy to obtain aluminium for delivery on particular dates without paying a premium.

Traders also warn that some organisations are not content just to earn the contango, they want to make capital gains as well. This could drive up prices rapidly as demand improves, in spite of stocks remaining high. However, Mr Arnold points out: "This strategy would backfire because excessively high prices would encourage producers to reactivate capacity much more quickly and they would deliver the extra production directly into LME warehouses."

Mr Crowson says: "I find it hard to believe that anyone would hold on to stock for a 'target' price. In time the special deals with warehouses will expire and the metal will come out."

Nevertheless, disappointment looms for those expecting a rapid and solid upswing in metals prices as the world's economic health improves. Managed commodity funds alone have $26bn to find a home for and if a bullish or bearish trend emerges, the funds will tend to reinforce it. "It will be a rollercoaster," he says.

Metal prices and stocks



Source: Ord Minnett Research

Bayer buys into US generic drugs

By David Waller in Frankfurt

Bayer, the German chemicals group, is making a move into the fast-growing US generics drugs sector with the acquisition of a 28.3 per cent stake in Schein Pharmaceutical, a privately owned generics company based in Florham Park, New Jersey.

Bayer, which signalled last month that a deal with a US generics company was likely to be sealed before the end of March, is paying $310m for the stake.

The size of the holding may be increased gradually following a proposed listing of Schein's shares, Bayer said.

The acquisition follows a purchase by Hoechst, Bayer's German rival, last autumn. Hoechst paid $546m for a 51 per cent stake in Copley, a generic and over-the-counter drugs manufacturer.

Analysts noted yesterday that Bayer appeared to have done the better deal. Schein is four times bigger than Copley but the companies are both valued at DM1.1bn ($639m). Schein's turnover last year was $400m compared with DM52m at Copley.

There was no indication of Schein's profitability other than a comment that returns on sales of leading manufacturers of generic drug manufacturers currently range between 10 and 20 per cent. Schein employs 1,700 people and produces 350 products.

"Our strategy is to safeguard and expand our position as one of the world's leading pharmaceuticals companies," said Mr Manfred Schneider, Bayer's chief executive.

"We must therefore also become a force in the generics market, which has above average growth rates, especially in the US.

"Together we can not only greatly increase our presence in the market but we can also meet the challenges inherent in the changing healthcare market," he added, "at the same time offering the patients a comprehensive range of medicines."

Sales in this sector are expected to grow more rapidly than branded products, reflecting the emergence of powerful bulk-buyers for drugs and healthcare reforms.

When Hoechst bought its stake in Copley last October it said it expected this sector of the US market to grow at 14 per cent a year between now and the end of the century.

US growth powers Glaxo past the £1bn barrier

By Daniel Green in London

Powerful growth in the US for Glaxo, Europe's biggest pharmaceuticals company, outweighed troubles in continental markets and took first-half pre-tax profits past £1bn for the first time.

Turnover rose by 22 per cent to £2.8bn ($4bn) from £2.3bn, helped by a strengthening of the dollar. Pre-tax profits rose 22 per cent to £1bn from £819m.

With the dollar effect stripped out, growth rates in turnover and at the pre-tax level were about 15 per cent.

Sir Richard Sykes, chief executive, also confirmed that the company intended to cement one or more US alliances by the end of the year. In an attack on the effects of the purchase last year by Merck, the biggest US drugs company, of Medco, one of its customers, Sir Richard, said that the US pharmaceuticals business would only be fair if drugs buyers had a free choice of suppliers.

"We understand what needs to be done," he said. Glaxo's search for partners would include looking at distribution companies as well as other drugs makers.

The dividend was raised 29 per cent to 9p, from 7p, near the top of analysts' forecasts. The company has a policy of paying out about a third of the year's dividend at the interim stage. The share price rose 22p to 697p.

The company's ulcer drug, Zantac, consolidated its position as the world's biggest selling prescription medicine with 5 per cent sales growth, in constant currency terms, to £1.2bn.

The effects of European health spending controls made themselves felt, and Zantac sales fell in Germany, Italy and the UK. Sir Richard said he believed these market would "turn around" now that reforms had been enacted.

Spending on research and development continued to rise sharply, up 24 per cent in the first six months to £417m. In March the company will open its £700m research and development centre in Hertfordshire.

The company's cash pile climbed from £1.5bn in December 1992 to £2.01bn. But falling interest rates meant that investment income fell from £79m to £73m.

Earnings per share rose 21 per cent to 23.4p from 19.4p. In American Depository Receipt (ADR) terms, the form in which the shares are held in the US, earnings rose 3 per cent to 70 cents, affected by currency translation.

Lex, Page 14; Results, Page 22

Swedbank slashes loss to SKr3.7bn

By Christopher Brown-Humes in Stockholm

Losses at Swedbank, the Nordic region's largest bank in asset terms, narrowed sharply last year, helped by tough cost-cutting and reduced credit losses.

Operating losses amounted to SKr3.66bn ($456m), SKr300m better than forecast and SKr8.1bn lower than 1992's SKr11.75bn deficit.

Mr Göran Collert, chief executive, said the performance signalled the bank was on the road to recovery, with good prospects of a positive result in 1994.

Mr Collert said Swedbank would be seeking a stock market listing in the spring of 1995, subject to market conditions.

The main reason for the improved result was a sharp reduction in loan losses to SKr11.7bn, or 3 per cent of group lending, from SKr18.5bn a year earlier.

The corporate sector remained the chief source of problems for the bank, accounting for 87 per cent of total write-offs.

A 2 per cent increase in revenues to SKr16.3bn and an 11 per cent drop in expenses to SKr8.3bn also contributed to the recovery.

Costs have been cut by SKr1.5bn since 1991, following heavy reductions in the workforce.

Last year the bank cut the number of full-time jobs by 1,330.

Net problem loans were also easing, the bank said. During 1993 they fell 20 per cent to end the year at SKr18.8bn, or 4.7 per cent of lending.

The bank will soon launch a SKr2.2bn share issue as part of plans to rebuild its capital base without state support.

The stock exchange listing is designed to broaden the group's ownership structure, while reducing the dominance of the 11 savings bank foundations which are currently its main shareholders.

The long-term aim is for the savings bank sector and Swedish/foreign institutions each to own 40 per cent of the bank's shares and customers the remaining 20 per cent.

Polish bank loses broking licence

By Christopher Bobinski in Warsaw

Bank Slaski, one of Poland's biggest banks, yesterday had its stockbroking licence revoked by the Securities Commission following charges that the bank had mismanaged its own privatisation.

The Commission said the bank, also one of Poland's largest brokers, had penalised virtually all of the 800,000 new shareholders because it had not delayed the listing until shareholders had been able to register their shares.

The Securities Commission also asked the State Prosecutors Office to initiate proceeding against the Bank Slaski board.

The bank has been given six months to wind down its operation and the Commission has asked Poland's 37 remaining brokers, who are already struggling to service their existing clients, to take over the Slaski accounts. ING, the Dutch bank, bought a 25.9 per cent share of the Bank Slaski as part of the privatisation.

The shares, first quoted on January 25, immediately rose to 13.5 times their public offer price of Zl 500,000 ($23) but most shareholders were unable to trade until they had registered their shares, a process which had been held up by a shortage of brokers.

Registration normally takes two weeks but in some cases it has still not been completed.

Tampella swings back to profit

By Christopher Brown-Humes

Tampella, the Finnish engineering group, has announced its first profit since 1989 after benefiting from extensive restructuring, productivity gains, and the weak markka.

Profits after financial items for 1993 totalled FM11m ($2m), a FM560m swing from a year earlier loss of FM549m. The recovery was particularly marked in the final four months when the company achieved a FM76m profit.

Net sales fell to FM4.08bn from FM6.54bn. This followed last May's sale of forest and packaging operations to Enso-Gutzeit, one of the key elements in a restructuring programme which has focused the company on mining and power operations.

Tamrock, the group's mining unit, rebounded to a FM79m profit from a FM15m loss, despite depressed markets. But Tampella Power had a more difficult year, due to a heavily loss-making US unit. It swung to a FM43m loss after financial items from a FM34m profit in 1992.

Tampella said markets in its main business areas were still "strained," but added that signs of recovery were increasing.

The group was acquired by the Bank of Finland, the Finnish central bank, as part of a broader rescue of Skopbank in 1991.

Last year the bank cut its holding in the group from 88 per cent to 23.6 per cent through share sales to domestic and international investors.

Kvaerner turns in record result

By Karen Fossli in Oslo

Kvaerner, one of Norway's biggest publicly quoted companies, yesterday announced record pre-tax profits for 1993, helped mainly by solid advances in the diversified group's shipbuilding and oil and gas activities.

Last year pre-tax profits rose 41.5 per cent to NKr1.32bn ($177m) from NKr932m in 1992 as sales increased 23 per cent to NKr24.58bn from NKr20bn with advances made in all five of the group's business areas.

The result was better than domestic analysts' forecasts and Kvaerner has proposed lifting the 1993 dividend payment to NKr5.50 a share from NKr5.

Kvaerner expects the group in 1994 to show a profit, before unrealised foreign exchange items, matching that achieved in 1993. Group operating costs rose to NKr22.4bn in 1993 from NKr18.35bn in 1992, mostly due to acquisitions.

Accounts were charged with net financial items of NKr36m – including gains on securities of NKr79m against losses of NKr65m in 1992 – compared with NKr14m in 1992.

Fokus Bank returns to the black

By Karen Fossli

Fokus Bank, Norway's third biggest commercial bank, has returned to the black with net profits of NKr260m ($35m) in 1993 against losses of NKr937.2m in the previous year. The bank also disclosed plans to raise up to NKr1bn in fresh equity capital.

Crippled by massive losses, Fokus collapsed into the hands of the state in 1991 during Norway's biggest banking crisis since world war two which also saw Den norske Bank and Christiania Bank, the country's two biggest commercial banks, also forced to rely on state cash-injections to avoid insolvency.

Fokus said that 1993 was the first year it had achieved a full-year profit since 1989 when net profits were NKr165m. Mr Leif Klevan, group managing director, said he had presented a capital expansion plan to the bank's board in which Fokus would seek to raise up to NKr500m through the issue of new shares and another NKr500m in the form of subordinated loans in domestic and foreign capital markets.

Strong year end limits Dutch office group deficit

By Ronald van de Krol in Amsterdam

An unexpectedly strong performance in the fourth quarter helped cushion a decline in full-year results at Océ-van der Grinten, the Dutch office equipment maker.

Net profit, which had fallen by 42 per cent in the first three quarters, rose 25.6 per cent in the final quarter ended November 30. This limited the fall in full-year net profit to Fl 62.2m ($32.2m), a decline of 28.9 per cent compared with 1992/93.

Océ, the first large Dutch company to report final figures for 1993, plans an unchanged dividend of Fl 2.25 in spite of the drop in profit.

Sales rose slightly in the fourth quarter but fell by 4 per cent to Fl 2.63bn in 1993/94. Sales in North America rose particularly strongly, accounting for 19 per cent of total sales compared with 17 per cent the year before.

The sharp improvement in the fourth quarter exceeded analysts' expectations, and Océ's shares gained more than 3 per cent to close up Fl 2.40 at Fl 76.00. Mr Harry Pennings, chairman, predicted a further improvement in 1994/95. Océ is a producer of copiers and printers as well as of plotters for engineering systems.

The fourth-quarter recovery was due not so much to improved economic conditions as to the launch of new products, internal restructuring and the pruning of jobs, Mr Penning said. Another factor was currency stability in the fourth quarter.

Nykredit rises to DKr2.14bn

Nykredit, the Danish mortgage institution, lifted pre-tax profits last year to DKr2.14bn ($319.4m) from DKr141m and net profits to DKr1.32bn from DKr46m, writes Hilary Barnes in Copenhagen.

A rise in security values contributed DKr1.6bn to earnings compared with a loss of DKr312m in 1992.

Barbarians at the gates of independent television

Raymond Snoddy looks at TCI's interest in HTV

At first glance it looks crazy that TeleCommunications Inc, the world's largest cable television company, should want to buy a 20 per cent stake in a modest ITV company broadcasting to Wales and the west of England.

After all, TCI of Denver is about to become a $60bn (£41bn) concern through its merger with the Bell Atlantic telephone company, while HTV was fighting for survival last year with pre-tax losses of £20.5m.

By coincidence, the loss matched the bid the company made to see off three rivals in the ITV franchise contest.

The deal involves £27m – a pittance compared with the hundreds of millions being spent by ITV companies taking each other over. Yet the closer you look, the more sense the deal makes.

"ITV is like a lake full of old pike eating each other. This is a completely new additive. It is not cannibalism," said Mr Adam Singer, vice-president international of TCI.

He said it was the first time in British commercial television that two companies would be "interacting across the whole spectrum of broadcasting," from conventional television to cable and satellite television.

The stake in HTV is being acquired by Flextech, the former oil services company which Mr Roger Luard has transformed into a media group. Ironically Flextech, the European investment vehicle for TCI, was an unsuccessful bidder for the Wales and the West ITV licence.

Flextech, through United Artists European Holdings, a wholly-owned TCI subsidiary, either controls or has an interest in 11 cable and satellite channels, including The Children's Channel, Bravo, the classic films channel and Discovery, the factual and documentary channel.

For HTV the advantages of the tie-up are enormous. At a stroke the company's debt, now at a seasonal low of £19m, is virtually wiped out and there is the chance of making programmes for the developing media market. If any old ITV pike are circling, HTV would prove an indigestible and expensive bite.

More important, as Mr Louis Sherman, the HTV chairman said yesterday, it will help achieve the goal of "forging alliances which will allow our television business to grow beyond the limits of the ITV franchise".

For Flextech the 20 per cent stake – the maximum permissible for a satellite channel owner under existing rules – gives a first link with a conventional broadcaster.

"We are terribly pleased as Visigoths to be allowed in to tour Rome for a day," commented Mr Singer.

Apart from securing two seats on the board, the "barbarians" of the new media have got their eyes on HTV's production and transmission facilities.

It is likely that some Flextech satellite channels will be packaged and transmitted from Bristol or Cardiff. Local news programmes for cable networks are a possibility. TCI has a 50 per cent stake in Telewest, the largest cable television group in the UK with 3.3m homes under franchise including the Bristol area.

"We are not buying history, we are buying the future and we think we have paid a very reasonable price," said Mr Luard.

New Banca Nazionale del Lavoro chairman

By Robert Graham in Rome and Robert Peston in London

The Ciampi government has moved to prevent the void from growing at the helm of Banca Nazionale del Lavoro, Italy's biggest state-controlled commercial bank, by naming as the new chairman Mr Mario Sarcinelli, an EBRD vice-president.

Mr Sarcinelli will be replacing Mr Gianpiero Cantoni, who temporarily suspended himself on February 7. Mr Cantoni was forced to step down following the disclosure of a Bank of Italy inspection that revealed a potential conflict of interest between his approving BNL loans that allegedly benefited one of his family owned businesses. However, Mr Cantoni is still refusing to formally resign.

Mr Sarcinelli's departure came as a surprise at the EBRD, where he is the number three in the organisation. His colleagues on the executive committee were not told until 6pm last night, after the Italian government had released the news in Italy about his appointment.

The bank's operations were restructured at the end of last year and Mr Sarcinelli took charge of the new southern division, making investments and developing infrastructure in the more backward countries in eastern Europe and the former Soviet Union.

Strong advance at Kleinwort Benson

By John Gapper, Banking Editor

Kleinwort Benson yesterday confirmed high expectations for UK investment banks by disclosing that its 1993 pre-tax profits more than doubled to £111.7m ($168m), compared with £45.1m the previous year.

Kleinwort's 2,770 employees gained heavily from the strong trading conditions in financial markets, and a rise in underwriting and advisory work.

After excluding a £9.2m profit from selling Sharps Pixley, its bullion and metals business, earnings per share rose to 56.4p, compared with 26p, and the pre-tax return on equity rose to 26 per cent, compared with 11 per cent.

Property side boosts US finance group result

By Richard Waters in New York

The rush by many US homeowners to refinance their mortgages last year fuelled a rise in net income at Transamerica, the San Francisco-based financial services group, in the final quarter. The rush was driven by a fall in long-term interest rates.

The refinancing wave boosted net income in the group's real estate services operation to $23.2m, from $17.9m the year before.

This accounted for much of the rise in income from continuing operations in the quarter, which was up at $95.9m from $86.9m the year before.

Transamerica also said its life insurance business had performed strongly, reporting net income (before investment gains) of $215.7m during 1993 as a whole, up from $190.8m.

The growth came on the back of a larger asset base, the company said. He said it maintained its investment spreads in all product lines.

Other operations reported falls in net income. Consumer lending was held back in part by a rise in credit losses, which climbed from 1.21 per cent of receivables to 1.69 per cent during the year.

Commercial lending, although experiencing higher operating income, ended the year with a net loss of $4m after writing down some assets. Leasing, although slightly ahead at the operating level, recorded an 8 per cent fall in net income due to the US tax changes.

For the fourth quarter, Transamerica's net income rose to $22.8m, or 24 cents a share, from $11.9m, or 6 cents, the year before. Included in this was a charge of $23m for early retirement of debt, together with a loss from discontinued operations of $50m, against $75m the year before.

For the year as a whole, net income rose to $377.4m, or $4.51, from $243.2m, or $2.83, in 1992. Income from continuing operations, before investment results, was up 17 per cent on the year, to $425.2m.

CSFB shrugs off costs of restructure

By Patrick Harverson in New York

CS First Boston, the New York-based investment bank which underwent significant *management changes and a* heavy structural reorganisation last year, showed yesterday that the upheavals had little impact on profitability.

The bank unveiled record annual net income of $328m for 1993. The final result was a big improvement on the previous year, when CS First Boston, a unit of the Swiss banking group CS Holdings, earned a disappointing $175m.

Pre-tax income also rose sharply last year, climbing to $440m from $277m in 1992. The *firm said its return on common* equity, a key measure of profitability, was 32.1 per cent in 1993, and its capital rose 54 per cent to $4.65bn.

Like every other big Wall Street investment bank, CS First Boston benefited greatly last year from low US interest rates, active domestic and international stock and bond markets, and heavy demand from corporations worldwide for underwriting and other investment banking services.

The firm said the largest contribution to profits came from the trading and sales of fixed-income and derivative securities. Strong results from underwriting debt and equity issues, especially those of newly-privatised companies, also played a big part in the improvement in earnings.

Last year was marked by considerable change at CS First Boston. After years of struggling to overcome the rivalries and confused corporate identity created by having three separate units in New York, London and Tokyo, the firm decided to reorganise its businesses on product, rather than geographic, lines, and unify the global operations under a single name: CS First Boston.

Also, there was change at the top of the firm when Mr Archibald Cox, head of the New York unit, resigned following a spate of defections by top investment bankers unhappy with their annual bonuses.

After Mr Cox's departure, CS First Boston appointed Mr Allen Wheat, who had previously run the Tokyo operation and, later, the firm's highly-profitable derivatives business, as its new president and chief *operating officer.*

He now reports to Mr John Hennessy, the chief executive.

Alliances still in the wind at revamped SAS

Chief executive elect Jan Stenberg shares his vision for the airline with Hugh Carnegy

Mr Jan Stenberg, who takes over shortly as chief executive at *Scandinavian Airlines System*, is anxious to dispel the impression that the company is retreating to its home base. He wants to kill the notion that it has returned to lick the wounds inflicted by the collapse of Alcazar, the failed four-way pan-European merger.

The lofty ambitions of Mr Jan Carlzon, whose 12 years as SAS chief crashed with the Alcazar plan, have been scaled down due to "the economic situation" facing the loss-making airline. SAS is busy shedding non-core operations, such as its travel agencies, credit card subsidiary and hotel chain, built up under the Carlzon vision of a "global travel service system".

However, Mr Stenberg, a senior executive at the telecommunications group Ericsson, who will take over from Mr Jan Reinas, Mr Carlzon's stop-gap successor, on April 1, said SAS still wanted to be more than a small regional airline. It planned to build through alliances.

Mr Carlzon's message – that SAS faces a tough battle if it is to survive and thrive in an era of growing deregulation and competition, remains valid – and is recognised by a new chief executive who has experienced similar pressures in the telecommunications industry.

The scenario SAS and its advisers sketched out before launching the Alcazar negotiations – that a stand-alone future for the airline could mean its collapse within a *decade – still holds. Equally*, a merger with a large carrier such as Lufthansa could be an option in the long term, Mr Stenberg says.

However, his preference is for collaboration with "a similarly-sized company". Initially, he wants to see if SAS's so-called "European quality alliance" co-operation with Swissair and Austrian Airlines – which, with KLM Royal Dutch Airlines were partners in the doomed Alcazar enterprise – can be "widened and deepened". He says he has been invited for talks by both airlines.

"In talks with other airlines, including those involved in the Alcazar negotiations, I think we should work on a pattern of collaboration that will make SAS associated in a bigger network than it is today." he said.

Mr Stenberg is also keen to develop ties with British Midland Airways. SAS owns 35 per cent of British Midland's parent company, and will increase its stake to 40 per cent this year."

An eventual takeover of British Midland is not on the agenda for now, but is "worthwhile to consider," Mr Stenberg says. "With my background in the telecommunications industry, I can see how interested PTTs are to go across borders and buy into smaller companies, take over their telephone services and integrate them. I think we'll see that trend also in the airline industry."

Jan Stenberg: British Midland takeover 'worthwhile to consider'

However, Mr Stenberg leaves no doubt about his aversion to any revival of Alcazar-style merger schemes. "To start up again now the discussion of a physical merger – that would be a serious mistake," he says.

As one of SAS's most frequent flyers – he has clocked up almost 250,000 SAS bonus points over the past year – Mr Stenberg has been in a good position to tune into the feelings of airline staff.

"I talk to people in this organisation – cabin attendants and so on – and they tell me that for a long time they were questioned by passengers about what they thought of Alcazar. They said they just didn't know what to say because they could not imagine what Alcazar really meant.

"What I look for is how a collaboration can be established where the parties can have joint financial interests in something which is not merged in the physical or organisational meaning."

Forging strategic partnerships is not the most urgent priority, however. Top of the list, says Mr Stenberg, is returning SAS to profitability after four straight years of losses.

The Scandinavian media has cast him as a hard man brought in to push through a tough cost-cutting plan drawn up by Mr Reinas. The plan will mean SAS's 20,000-strong workforce being cut by 2,900 by the middle of next year, saving *SKr3bn ($375m) in costs.*

Mr Stenberg insists the tough-guy image is exaggerated. However, he pointedly refuses to endorse Mr Reinas's prediction that SAS will be back in profit in 1994, and cannot be sure that further cost-cutting measures will not be needed.

He is also gearing up for a radical restructuring within SAS, intended to reduce duplication of functions in Denmark, Norway and Sweden. That could unleash national political tensions that have always lurked behind the serene Scandinavian image SAS projects to the world.

SAS is owned by Danish, Norwegian and Swedish companies, with an element of state ownership in each. However, the siting of its headquarters in Stockholm has often caused resentment in the other two countries. This could intensify with a further concentration in the Swedish capital.

"Some people say SAS stands for Swedish All Swedish. That is an unfair view if you look at how employment is now distributed between the three countries," Mr Stenberg says.

However, he insists that from now on economic efficiency only will dictate how the operation is run. There will be no more "trebling the functions in order to build up a little castle in each country".

Chairman upbeat at Fruit of the Loom

Fruit of the Loom, the US clothing group, is bullish about prospects for 1994, Reuter reports from Chicago.

"Improving economies in the US and Europe, the availability of a number of new products, low inventories at both the retail and distributor levels, and an aggressive advertising and marketing campaign *should allow us to* reach our sales objective," said Mr William Farley, chairman.

He said the fourth-quarter results, with operating net income of 81 cents a share, compared with 64 cents, were generally in line with expectations.

Loblaw survives price war to lift net profits by 17%

By Robert Gibbens in Montreal

Loblaw, Canada's biggest food distributor, overcame the recession and regional price wars in Canada to post a 17 per cent gain in profits for the fiscal year ended January 1 1994.

Loblaw, controlled by the George Weston Group, reported net profit for the year *of C$93.4m (US$69.3m), or* C$1.07 a share, up from C$79.8m, or 88 cents, a year earlier. Consolidated sales rose 1 per cent to C$9.36bn. At the operating level, the results were strong in both eastern and western Canada.

Fourth-quarter profit was C$26.1m, or 31 cents, down from C$28.8m, or 33 cents, on sales of C$2.2bn, a decline of 8 per cent.

The impact of a long strike in the *US supermarket unit* was taken mostly in the fourth quarter. This dispute has been settled.

Cineplex, a North American cinema operator and film distributor controlled by the Montreal Bronfmans, reported its first annual operating profit since 1987.

However, after a special charge of US$7.3m, there was a final loss of $7.4m, or 7 cents a share, against a loss of $41.3m, or 48 cents, in 1992, on sales of $546m, against $519m.

French TV flotation imminent

By Alice Rawsthorn in Paris

M6, the French television station, will be floated on the Paris stock market within the next few months, according to *Mr Jérôme Monod, chairman of* Lyonnaise des Eaux, the French utility group which is its main shareholder.

Mr Monod, speaking on French radio, also voiced support for Mr André Rousselet, who resigned on Monday as chairman of the Canal Plus television group, in protest at the formation of a concert party by its largest shareholders, Havas, Société Générale and Lyonnaise. Mr Rousselet has since been replaced as chairman by Mr Pierre Lescure, chief executive.

"It was an ambush," said the Lyonnaise chairman, referring to a row that erupted at an Havas board meeting last week when Mr Rousselet was told about the deal. "Mr Rousselet was right to lobby so strongly, and to say that he had been betrayed and rejected."

He said he had been discussing the concert party confidentially with Mr Pierre Dauzier, chairman of Havas, and had not expected the announcement to be made so soon. "Why was there such a hurry?" he asked. He said: "Canal Plus has lost a great deal of its independence."

The reshuffling of the Canal Plus stake and the M6 flotation form part of a general restructuring of Lyonnaise's media interests. M6, in which Lyonnaise has a 25 per cent holding, is set to join the stock market in the first half of this year, *although the details of the flotation* have not yet been fixed.

Mr Monod said M6, which made net profits of FFr105m ($17.9m) on turnover of FFr1.2bn in 1992, was a business whose ownership "could be and should be open to public".

Lyonnaise also plans to launch cable channels. It is teaming up with France Telecom on one project and plans to develop a home shopping format with TF1, the biggest French terrestrial channel.

Strong demand helps Navistar stay in the black

By Frank McGurty in New York

Strong demand for trucks and diesel engines carried Navistar International into the black for a second consecutive quarter.

The Chicago-based manufacturer, formerly known as International Harvester, yesterday revealed net income of $16m, or 12 cents a share, in the first quarter to the end of January.

The result reverses a $228m deficit in the corresponding first quarter of 1992-93. Excluding the effect of accounting changes, the company realised earnings of $2m in the year-earlier quarter.

Consolidated sales jumped 9 per cent to $1.14bn, against $1.04bn last year, as Navistar continued to benefit from the sharpest upturn in the US truck market for over a decade.

Retail deliveries for 19,200 heavy and medium-duty trucks and school-bus chassis climbed 14 per cent in the quarter, while shipments of diesel engines were 17 per cent ahead of 1992-93 levels.

The results extended a string of encouraging performances which began last spring, when Navistar edged back in profitability after 10 consecutive quarterly losses.

The red ink resurfaced in the three months to the end of July, but the $312m loss reflected a one-time charge relating to a pivotal agreement with union members to reduce post-retirement benefits.

In the quarter to end-October, the company surprised analysts with net income of $22m, or 22 cents a share.

Yesterday Wall Street marked the stock up $⅝ to $25⅞ in early trading. The company's recent financial restructuring, part of the benefit settlement, made earnings forecasts and comparisons difficult.

With demand showing no signs of flagging in the current quarter, the company lifted its forecasts for the 1993-94 fiscal year.

Industry sales of trucks weighing more than 33,000lbs are expected to reach 185,000, up from the company's previous estimate of 160,000. The figure would represent an 11 per cent increase on fiscal 1992-93, when 166,000 units were sold.

Losses cut at Gulf Canada Resources

By Robert Gibbens in Montreal

Gulf Canada Resources, 70 per cent controlled by its lenders for the past two years, reduced losses sharply in 1993 while maintaining oil and gas production at high levels.

Gulf Canada was acquired by the Reichmann family as a property diversification in the mid-1980s, but after the failure of their Olympia & York Developments, the banks took control. The Reichmanns had pledged their Gulf Canada shares as collateral for US$2.5bn in loans.

The company has since been restructured through asset sales and heavy cuts in manning, but has retained some international projects, especially in south-east Asia. The 1993 loss was C$31m (US$23m) or 37 cents a share, compared with a deficit of C$252m, or C$1.85, after special charges in 1992. Revenues were C$702m, against C$827m.

Net debt was reduced 28 per cent to C$947m. A US$300m 10-year subordinated debenture issue was completed this January to continue the debt reduction programme.

The lenders' shares in Gulf Canada are held through A&G Resources, a company formed by a group of O&Y lenders, and will eventually be sold.

The sharp fall in oil prices is, however, the latest challenge to Gulf Canada's recovery.

US retailer lifts profit to $21.5m

By Richard Tomkins in New York

Neiman Marcus, the US fashion retailer, lifted net profits by 22 per cent to $21.5m in its second quarter to January 29. The group was helped by strong sales in its Neiman Marcus and Bergdorf Goodman stores and its NM Direct catalogue division.

It said the stores and catalogue had a particularly good Christmas, but there were disappointing performances from the Contempo Casuals and Pastille units, both of which increased losses.

Store closings due to the Californian earthquake hindered their performance.

Turnover rose to $650.7m from $617.2m and earnings per share to 37 cents from 27 cents. For the first half, net income rose to $36.7m from $33.7m and earnings per share to 58 cents from 51 cents.

Mr Robert Tarr, president and chief executive, said the company expected the usual net loss in the second half.

Cash flow advances 16% at McCaw

By Martin Dickson in New York

McCaw Cellular Communications, the largest cellular telephone service company in the US, reported a 16 per cent increase in fourth-quarter cash flow from its cellular operations.

However the group's net loss rose to $207.5m from $82.7m after charges for upgrading equipment and early extinguishment of debt.

McCaw, which is being acquired by American Telephone & Telegraph, said the number of cellular subscribers in markets where it owns a controlling interest, together with subscribers to its LIN subsidiary, rose 37 per cent to 3.04m, compared with 2.22m at the end of 1992.

Proportionate cash flow from cellular operations rose to $185.4m from $159.3m in the same quarter of 1992.

Thirst quencher with a European appetite

Cott Corporation is bringing its private-label colas across the Atlantic, writes Bernard Simon

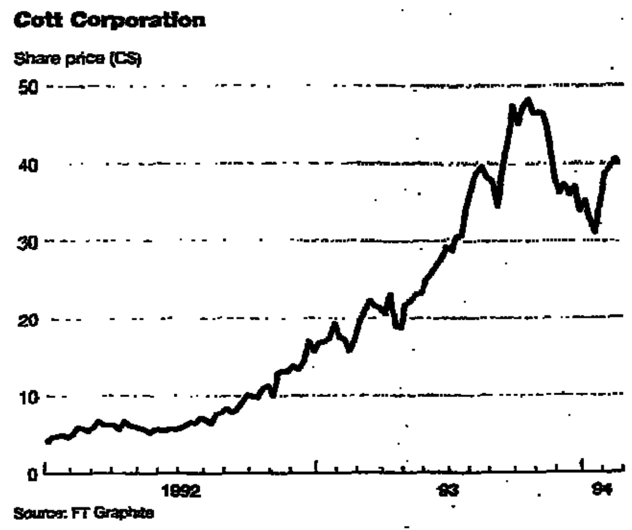
European shoppers will soon be able to slake their thirst with new private-label colas from the supermarkets, courtesy of Cott Corporation, a Canadian group which has taken the North American market by storm.

Its soft-drink brands are likely to be cheaper than Coca-Cola or Pepsi and offer retailers a more generous profit margin. The products mark the European debut of Cott, a Toronto-based company whose private-label drinks have been enthusiastically received in Australia and South Africa as well as North America.

Cott has gained a toe-hold in Europe through two recent deals. Cadbury-Schweppes, hitherto a sworn enemy of private labels, surprised the industry by making capacity available to Cott at under-utilised bottling plants on the Continent. In the UK, Cott has bought control of the canning operations of Benjamin Shaw & Sons, the soft-drinks subsidiary of Rutland Trust.

Mr Simon Lester, a former Schweppes consultant who now heads Cott's European operations, hopes Cott products will win a 5 per cent to 10 per cent share of the UK market within two years. Talks with one supermarket chain, rumoured to be J. Sainsbury, are at an "advanced stage".

"Once we get to the market," he says, "they will make more money on their private labels and they'll make more money from the national brands."



Source: FT Graphite

He predicts that Coke, Pepsi and other brand-name bottlers will be forced to offer wider margins to retailers if they want to keep their shelf space.

To its fans, Cott is clear proof the new generation of retailer-controlled grocery brands has the established brand names on the run. The company's sales have rocketed from C$43m (US$32m) in the fiscal year to January 27 1990 to around C$700m in the past 12 months. Cott's market value is C$2.3bn, and its shares are trading at more than 80 times projected 1994 earnings. A C$1,000 investment in Cott shares just three years ago would now be worth a tidy C$119,000, including a 12-fold stock split.

"Among beverages, cola was most sheltered from imitators because they never solved the problem of taste," says Mr George Rosenbaum, president of Leo Shapiro & Associates, a Chicago-based market research company. "Cott has succeeded in doing this much better than anyone else."

Buoyed by its success in the soft drinks market, Cott has expanded into private-label beer and snack foods. Mr Howard Penney, analyst at Morgan Stanley in New York, forecasts Cott's earnings will jump from 47 cents per share in fiscal 1994 to 92 cents next year. "There's still significant growth in the US and tremendous potential internationally," he says.

But there are also sceptics. Ms Jennifer Solomon, analyst at Mabon Securities in New York, last month advised her clients to take profits. Coke and Pepsi are fighting back, especially in Cott's key Ontario market, by boosting retailers' margins and offering other incentives. Ms Solomon says Cott has nudged analysts several times in recent months to lower their earnings estimates.

Cott's critics are also unsettled by aspects of the company's background. Its chairman, Mr Gerry Pencer, is an entrepreneur whose last venture – a Canadian trust and loan company – ended in a messy failure. Some analysts question Cott's aggressive accounting practices, and, according to reports to the Ontario Securities Commission, senior Cott executives have been heavy sellers of the company's shares in recent months.

Cott's products, most of which appear under names chosen by its retailer customers, are now sold in more than half of North America's top 100 supermarket chains, including Wal-Mart, the biggest US retailer.

But Cott is more a marketer than a manufacturer. Although it owns a handful of factories in North America, most of its output is contracted out to about 50 independent bottlers with spare capacity.

Cott's skill lies in working with retailers to produce a low-cost, high-quality product tailored to their specific markets. For example, the Cott cola sold through Wal-Mart carries the name Sam's American Choice Cola; the label used for the 7-Eleven chain of convenience stores is Classic Selection.

A design subsidiary produces names and packaging for Cott beverages, as well as for a variety of other retailer-controlled brands.

Ms Heather Reisman, Cott's president, says ebulliently the biggest risk is that Cott will over-stretch by chasing too many of the opportunities now available to it. "A lot of people have seen what we're doing and want to be involved in it," she says.

But other threats cannot be overlooked. Ms Solomon notes that companies such as Coke and Pepsi have dramatically narrowed the gap between brand-name and private-label retail margins. She says store owners now have less incentive than before to promote private-label products at the expense of national brands.

Ms Reisman disagrees. "I don't believe that [the brand-name companies] can sustain some of the more aggressive activity on a long-term basis with the cost structures that they have," she says.

Bond issue by Turkish telephone group

By John Murray Brown in Istanbul

Turkey has mandated a group of international banks to issue $2bn worth of convertible bonds in the state telephone monopoly PTT to overcome legal obstacles preventing its privatisation.

The move, which bankers describe as a pre-funding for the privatisation, is evidence of the urgency being given to Turkey's sell-off programme, as the government seeks to narrow the budget deficit.

Earlier proposals separating the PTT into its post and telephone arms, the first step to selling the telecommunications company, were blocked by the courts on appeal from opposition politicians.

The newly appointed privatisation chief, Mr Tezcan Yaramanci, unveiled an ambitious target to sell $20bn worth of government companies before the end of 1995.

S. G. Warburg and Morgan Stanley were appointed joint global co-ordinators for the PTT convertible issue, while IndoSuez, the French bank, and Lehman Bros, of the US are co-lead managers.

The bonds will be convertible into shares in the company only after the privatisation. They will provide immediate budget revenues but will also represent a liability for the government when Turkey faces foreign public and private debt put at $64bn.

Bankers expect the issue to target risk-averse investors looking for high yield paper rather than capital growth – hitherto the main attraction of emerging markets like Turkey's. Some economists remain sceptical of the benefits of the convertible, which could limit the scope of any future privatisation of PTT.

In a further indication of the impetus being given to the programme, the Public Participation Administration, the government agency handling state asset sales, this week dusted off a three-year-old mandate agreed with Credit Suisse First Boston to sell the government's estimated 51 per cent stake in Eregli Demir Celik (Erdemir), the Black Sea-based iron and steel works listed on the Istanbul exchange.

Erdemir, Turkey's only flat rolled steel producer, is investing $2bn in a modernisation programme. The disposal, worth an estimated $500m, could be complete by mid-1994.

A full registration with the New York Securities and Exchange Commission is envisaged. CSFB is enlisting Turkish brokers to handle the secondary offering on the local Istanbul market.

New chief for Nabisco Intl

RJR Nabisco Holdings, the international consumer products group, has promoted Mr H. F. Powell to be chairman and chief executive officer of Nabisco International, Reuter reports from New York.

The group, the second largest manufacturer of cigarettes in the US and also the biggest biscuits producer, also said Mr James Postl is joining Nabisco International as president and chief operating officer.

Mr Powell, formerly president, will focus on accelerating the growth of Nabisco International, a leading producer of drink mixes, biscuits, baking powder and other grocery items.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.02.94: Pool purchase price £/MWh	Final Prices for Trading on 21.01.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.02	18.02	18.02
0100	39.80	23.26	24.69
0130	19.58	24.31	25.72
0200	39.80	24.31	25.72
0230	18.58	24.31	25.72
0300	18.27	24.31	25.72
0330	18.27	24.31	25.72
0400	17.14	24.31	25.72
0430	17.08	18.05	18.05
0500	16.99	17.98	17.98
0530	17.05	17.94	17.94
0600	17.05	17.95	17.95
0630	17.15	18.02	18.02
0700	17.12	21.28	22.89
0730	20.29	24.13	25.54
0800	20.30	23.42	24.83
0830	20.36	25.93	27.36
0900	20.58	25.94	27.35
0930	20.76	25.94	27.35
1000	20.84	25.94	27.35
1030	20.77	25.94	27.36
1100	20.71	25.94	27.35
1130	20.77	25.94	27.35
1200	20.82	25.93	27.35
1230	20.76	25.93	27.35
1300	20.61	25.93	27.35
1330	19.66	24.13	25.54
1400	19.57	24.13	25.54
1430	19.40	23.00	24.41
1500	19.30	23.00	24.41
1530	17.15	23.00	24.41
1600	17.12	23.00	24.41
1630	17.12	26.76	28.22
1700	17.16	30.03	31.89
1730	21.78	40.98	42.61
1800	21.52	40.88	42.52
1830	38.96	29.37	30.84
1900	38.75	26.70	28.13
1930	38.31	25.41	26.83
2000	21.54	25.90	27.31
2030	20.80	25.25	26.66
2100	20.79	22.90	24.31
2130	19.37	22.90	24.31
2200	17.12	21.28	22.89
2230	17.10	18.05	18.05
2300	16.95	17.95	17.95
2330	16.90	17.92	17.92
2400	16.88	17.92	17.92

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements, which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.
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CONTRACTS & TENDERS

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Sony pre-tax profits rise 6.8%

By Michiyo Nakamoto in Tokyo

A glimmer of hope that consumer confidence was on the upturn appeared in third-quarter results from Sony, the consumer electronics company which reported a 6.8 per cent rise in consolidated pre-tax profits in the three months to last December. However, at the net level, profits plunged 38 per cent to Y16.8bn ($154m).

Sony said a rise in demand for new electronics products had helped it to post better pre-tax profits of Y56.5bn compared with Y52.8bn in the previous third quarter in spite of sluggish markets in Japan and Europe.

During an important quarter, when the company makes a large proportion of its sales, Sony saw increased demand from consumers for many of its new electronics products such as wide screen television, car navigation systems, CD-ROM drives and MiniDiscs.

As a result, while overall sales were adversely affected by the strong rise of the yen, falling 3.7 per cent to Y1,067bn the company saw increases in unit sales of important products, including personal stereos, televisions and CD players.

In Japan, Sony increased sales by 2.8 per cent as a result of greater demand for new audio products.

Striking out currency fluctuations, Sony's consolidated sales would have increased by about Y132bn in the third quarter, or 8.2 per cent, the company said.

US sales of electronics rose 15 per cent while that of music rose 46 per cent in dollar terms. However, its films division posted an 11 per cent decline in sales.

Cost-cutting benefited Sony's operating profits, which rose 18.4 per cent to Y70.19bn against Y59.29bn. But pre-tax income was depressed by a Y131m foreign exchange loss as a result of the yen's weakening in the third quarter. Net income was 38 per cent down to Y16.8bn compared with Y27.1bn.

Sony revised its consolidated pre-tax profits for the year to March, up to Y100bn from a forecast Y87bn due to expected stronger electronic sales. However, net income is revised down to Y20bn from Y30bn.

● Pioneer, the audio-visual company, suffered a 16.5 per cent drop in consolidated sales for the third quarter to Y139.85bn, from Y167.48bn, largely as a result of depressed demand in Japan and the yen's rise against other currencies.

Pre-tax profits plunged 74 per cent to Y2.99bn against Y11.43bn and operating profits were down 79 per cent to Y2.53bn.

The company revised downwards its profits forecast for the year to March 1994. Pioneer expects parent sales to be Y328bn rather than Y349bn as forecast earlier and pre-tax profits to be Y1.4bn rather than Y7bn. Net profit is revised down to Y600m from Y4.7bn.

Germany halts plans to upgrade bourse technology

By David Waller in Frankfurt

Ambitious plans to upgrade share dealing technology on the German stock exchanges have been put on ice, the chief executive of the Deutsche Börse said yesterday.

Mr Werner Seifert, giving his first press briefing since he took over last summer as chief executive of the the German stock-exchange, said the priority for the current year would be to improve the exchange's operating efficiency.

A decision on whether to replace open outcry stock markets with full-scale electronic trading systems – as recommended by a consultants' report which has been under consideration for at least 18 months – would not be taken before the beginning of 1995 at the earliest, he said.

"We asked ourselves whether we should bet everything on the electronic trading card, as London bet everything on Taurus [the failed electronic settlement system]," Mr Seifert explained, "and came to the conclusion that we could have landed flat on our face."

His remarks indicate a pause in the scale of investment in technology in the German securities markets.

In the past three years, investment in equity dealing and settlement technology has totalled DM100m ($59m) while a further DM150m has been spent on the development of the Deutsche Termin Börse (DTB), the screen-based futures and options exchange which came into existence four years ago.

In a candid comparison of the strengths and weaknesses of the stock markets of London and Germany, he said that the German markets suffered because turnover was split between eight different exchanges.

However, the perceived regulatory deficiencies in the German market would be tackled by the introduction of the second Finanzmarktförderungsgesetz – the second financial markets promotion act – which is due to be enacted this year. This will make insider dealing a criminal offence and introduce a regulatory body for the German securities markets.

He said the exchange's main priority must be to ensure that dealing in D-Mark related products must be conducted in Germany rather in London.

At present, Germany conducted 90 per cent of turnover in German equities, he added, better than for some other continental European countries where London's share was higher.

A full-scale strategy for the future of the Deutsche Börse would be developed this year. At present, Mr Seifert explained, the priority was an internal "fitness cure" for the Deutsche Börse which was likely to mean redundancies for some of the 1,200 staff.

The Deutsche Börse came into being at the beginning of last year. It is the holding company for the Frankfurt stock exchange, which accounts for the overwhelming bulk of German share trading, and the DTB as well as the Kassenverein settlement agency. The other seven regional stock exchanges own a stake in the Deutsche Börse but retain their status as independent organisations.

Strong first half at Woolworths

By Bruce Jacques in Sydney

Woolworths, the Australian retailer, is on line to match forecasts released in the prospectus for its 1993 public float after a solid first-half sales and earnings performance.

The company yesterday announced a net profit increase of 15.5 per cent to A$109.9m (US$78.5m) from A$95.2m in the 28 weeks to January 9 on a 12 per cent sales rise to A$6.15bn from A$5.48bn.

Mr Paul Simons, Woolworths chairman, said the company would pay a dividend of 6 cents a share and was well positioned to match prospectus forecasts of a A$188m net profit and A$310m gross profit for the full year. The latest result was held back by a rise to A$15.2m from A$2.3m in net interest payments, reflecting the cost of refinancing in last year's public float.

Tax provided was down to A$55.3m from A$62.5m because of a lower corporate tax rate while depreciation rose to A$62.5m from A$60.7m.

The bulk of the company's earnings continued to come from its supermarkets where sales increased by 12.2 per cent to A$5.21bn and gross earnings rose 10.3 per cent to A$168.5m.

The general merchandise division lifted sales by 8.5 per cent to A$770.7m and gross earnings by 9.5 per cent to A$38.1m while the specialty retail group increased sales by 14.2 per cent to A$168.9m and gross profit by 26.4 per cent to A$12.9m.

● Ampolex, the Australian petroleum producer, has again passed the interim dividend after lower crude oil prices cut into earnings in the six months to December.

Net profit fell 10.5 per cent to A$26.7m from A$29.8m in the period in spite of a 2.5 per cent increase in revenues to A$187m from A$182.6m.

Interest expense rose to A$18.2m from A$15.5m and depreciation was up to A$71.4m from A$51.9m. Tax provision was down to A$25.4m from A$37.6m.

Burns Philp buys German spice producer

By Bruce Jacques

Burns Philp, the Australian food group, has expanded in Europe with the purchase of Karl Ostmann, the German herbs and spices producer, for DM182m ($107m) plus a working capital adjustment expected to be about DM20m.

Mr Andrew Turnbull, Burns Philp managing director, said yesterday Ostmann had gross annual sales of DM190m, exported to 30 countries and controlled subsidiaries in the UK and South Africa. Latest annual net profit was DM5.5m.

The purchase would lift Burns Philp's herbs and spices sales by about 25 per cent.

"Such benefits include synergies in raw materials sourcing and packaging, sharing of manufacturing and marketing skills, increased distribution efficiencies, an expanded customer network and optimal utilisation of production facilities," Mr Turnbull said.

Burns Philp entered the European market in 1982 and controls brands including Fleischmanns, Euroma, Cornwells and Durkee.

● Goodman Fielder, the Australian food group, had no comment to stock exchange reports yesterday that it was negotiating to take a 15 per cent stake in Bunge, the Dutch food group.

NEWS DIGEST

Australia bank sells 4.5% stake in its NZ rival

National Australia Bank said it had sold its 4.5 per cent stake in local rival Australia & New Zealand Banking Group (ANZ), AP-DJ reports from Melbourne.

National Australia said in a statement it sold 30.6m ordinary or common shares at A$5.635 each, representing about 2.3 per cent of ANZ's issued shares. The bank has entered into a call option arrangement for the sale of the balance of its ANZ stake.

National Australia bought its 50m shares in ANZ in 1989 as part of a strategic link-up or possible merger between the two commercial banks. However, in 1992 the Australian government declared it would oppose any merger between the four leading local commercial banks in the interests of maintaining competition in the financial sector.

Energy Resources suffers setback

Net profit of Energy Resources of Australia, the Australian uranium producer, fell to A$9.2m (US$6.5m) from A$10.6m in spite of an 11 per cent sales increase to A$68.8m in the half year to December, writes Bruce Jacques.

Bahrain bank breaks dividend famine

Bahrain-based Bank of Bahrain and Kuwait said it proposed to pay its first dividend – BD0.10 – since 1984, Reuter reports from Manama.

Directors said the total dividend payout would amount to BD5.69m ($15.1m). The 1993 profit figures were not yet available, the bank said.

United Arab Bank ahead

United Arab Bank, in its second annual results since it benefited from a debt settlement with the UAE emirate of Sharjah, posted a 15 per cent increase in net profits in 1993, according to figures published yesterday, Reuter reports from Dubai.

Société Générale of France owns 20 per cent of the bank's shares while United Arab Emirates shareholders own the rest.

United Arab Bank's profits stood at Dh40.3m ($11m) in 1993, up from Dh35m in 1992.

Tame CPI figures spark rally in US Treasuries

By Frank McGurty in New York and Conner Middelmann in London

A tame reading on consumer prices sparked a rally in the US Treasury market early yesterday morning, but bonds gave back most of their gains when a regional report on business activity suggested inflation was on the rise.

By midday, the benchmark 30-year government bond was up just 1/32 at 97¼, after climbing as high as 97⅞ earlier in the session. The yield slipped to 6.455 per cent.

At the short end of the yield curve, the two-year note was unchanged at 99 7/32, with the yield holding at 4.404 per cent.

Prices at the long end of the curve surged after the Labor Department revealed that its consumer price index was unchanged last month, while prices excluding the volatile food and energy sectors were up a mere 0.1 per cent.

The results were a pleasant surprise for the market, which was expected a 0.3 per cent rise in both statistics. The data was a powerful indication that inflation, which undermines the value of fixed-rate securities, stayed well under control in January.

The jubilant mood, however, was short-lived, as contradictory evidence on inflation surfaced during mid-morning. The Philadelphia Federal Reserve said the prices paid by manufacturers in the region had increased sharply, with the so-called prices-paid index in its February business outlook survey climbing to 30.4 in February, from 25.7 the previous month.

The news caused the long bond to turn in its tracks and retreat to near its opening level. The market apparently took no comfort in a slight decline in overall business activity, nor in the possibility that harsh winter weather could have introduced distortions into the data.

The sudden shift was partially explained by the failure of retail accounts to re-enter the market after the favourable CPI data, as they had been expected to do. Trading was confined to dealers and speculative accounts, and the lack of liquidity appeared to have exaggerated the price swings.

GOVERNMENT BONDS

■ Europe's government bond markets had a volatile day, rallying smartly on the Deutsche Bundesbank's discount-rate cut and lower-than-expected US inflation numbers, and then sliding back on a late bout of profit-taking.

Despite Wednesday's upbeat monthly report from the German central bank, most bond dealers were not expecting a rate cut and were taken by surprise when the bank announced it was lowering its discount rate by ½ point to 5.25 per cent while leaving its repo rate unchanged at a fixed 6 per cent.

The German rate cut was followed by similar moves in Austria, Belgium and The Netherlands, fuelling hopes that Italy and France would follow suit soon.

"The easing process is back on track," said Mr Klaus Baader, senior international economist at Lehman Brothers in London. He expects only one week of fixed-rate repos in Germany, before a return to variable-rate repos paves the way for lower money market rates.

While he said bond markets could weaken in the near term following yesterday's sharp gains, he said that prospects for continued easing would keep prices underpinned in coming weeks.

Others were less sanguine. "I'm bearish for bonds, and feel the next move will be down," said Mr Steve Major, senior economist at Crédit Lyonnais in Paris. "The repo rate is still 6 per cent and it still costs us the same to carry bond positions."

He felt that the main boost for Europe's markets came from US January CPI numbers which prompted a sharp rally in US Treasuries. When that succumbed to profit-taking, European bonds fell with it.

■ German bund futures soared on the rate cut news and the Liffe bund futures contract, which had opened at 98.62, rallied to a high of 99.30. However, the market fell back later and the contract touched a low of 98.38 before ending the day at 98.50.

Traders said the bulk of trading took place in the futures pits, with cash activity very limited. "In these fast markets, most investors are afraid of getting their fingers burnt," said one trader.

■ UK gilts had a similarly volatile day, with cash bond prices ending steady to slightly higher. Trading was largely futures-driven. The March long gilt futures contract, which opened at 116.08, rose to a high of 117.01 and ended the day at around 116.03.

■ The Italian bond market, which suffered the worst losses in recent days, posted substantial gains on hopes for a near-term cut in interest rates.

First African issue of US CP from supranational bank

By Antonia Sharpe

PTA Bank, a supranational bank which promotes trade in eastern and southern Africa, is set to become the first African issuer to enter the US commercial paper (CP) market today when it issues around $13.7m worth of asset-backed CPs.

PTA, whose full name is Eastern and Southern Africa Trade and Development Bank, was set up in 1985 and has 14 shareholders including the African Development Bank, Uganda, Kenya, Zimbabwe, Mauritius and Burundi, where the bank is located.

Today's issuance will be drawn from its $500m CP programme which is fully backed by a cash collateral account held in Bermuda. The programme is designed to protect CP holders from African risk, said Mr Francis Daniels, a senior adviser at Aidoo Group, a New York-based financial advisory group specialising in representing African governments and companies.

Although PTA Bank is unrated, the structure of the programme has enabled it to secure a CP rating of A-1 plus from Standard & Poor's and F-1 plus from Fitch. Goldman Sachs and Merrill Lynch are the dealers for the programme. The proceeds will be used to support the bank's trade loans.

The move towards democracy in South Africa has turned international investor attention to Africa but the depth of interest is far from clear. Earlier this year, a structured bond issue for the Republic of the Congo intended to raise $600m from international investors, had to be re-vamped and relaunched due to lack of demand for the original deal.

Sterling convertible for Lonrho

By Antonia Sharpe

Lonrho, the international conglomerate, yesterday ended its four-year absence from the Eurobond market with a widely expected convertible bond offering, the first in the sterling sector this year.

Demand was such that Lonrho was able to increase the 10-year offering from £60m to £64.5m, achieve a coupon of 6 per cent, at the low end of the indicated range of 6 to 6¼ per cent, and a conversion premium of 20.25 per cent, above the indicated range of 16 to 20 per cent. Lonrho shares eased from 164p to 160½p.

When the bonds were freed to trade, they rose from an issue price of par to 103 as investors sought to top up their allocations. Dealers said that the bonds, which offered a 3 per cent premium over the yield on Lonrho's ordinary shares, represented good value to investors who still regarded Lonrho as a recovery stock.

However, they noted that Lonrho had opted for a shorter maturity – most of the sterling convertible offerings in the past year have carried maturities of 15 years – and a call option after three years rather than the usual five years.

INTERNATIONAL BONDS

An official at lead manager CS First Boston said the issue was a critical step for the company since it was seeking to re-launch its newly-improved credit perception with investors in both the bond and equity markets.

Lonrho said the proceeds would be kept in fixed-rate sterling and would be used for general corporate purposes.

BNP, the French bank, added to the supply of bank paper in the Eurosterling sector when it raised £200m through an issue of five-year Eurobonds. Lead manager Lehman Brothers said the the wider yield spread of 32 basis points over UK government bonds helped BNP's bonds to compare favourably with the other recent issues.

Elsewhere, Dresdner Bank got its timing right by issuing a DM1bn offering of 10-year Eurobonds shortly before the Bundesbank surprised the market by cutting the discount rate. When the bonds were freed to trade, they rose from their fixed re-offer price of 99.50 to 99.80.

● Moody's, the US credit rating agency, yesterday placed the Baa1 ratings on the foreign currency debt of the Bank of Greece under review for a possible downgrade, citing the continued deterioration of the country's fiscal balances and the rapidly growing debt burden. Around $10bn worth of debt is affected.

Until the start of this year, the Bank of Greece acted as the issuer on behalf of the Hellenic Republic. Moody's action did not come as a surprise to syndicate managers, who had been expecting the news since November last year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Nippon Denro Ispat(a)§	100	(3-3½)	100.00	Apr.2001	2.50	-	SG Warburg Securities
Krung Thai Bank (Cayman)‡	100	(b)	100.00	Mar.2001	undisd.	-	Chemical Secs. (Asia)
General Electric Capl.Corp.(c)	100	4.25	98.49R	Nov.1998	0.1875R	+8 (4¾%-98)	Lehman Brothers Secs.Asia
D-MARKS							
Dresdner Finance	1bn	6.25	101.90	Mar.2004	2.50	-	Dresdner Bank
YEN							
Sharp Finance Netherlands(d)*	5bn	3.50	101.875	Feb.2000	1.875	-	Sanwa International
Sharp Finance Netherlands(d)*	4.8bn	3.00	101.625	Feb.1998	1.625	-	Fuji Intl. Finance
STERLING							
Banque Nationale de Paris(e)	200	6.25	99.43R	Dec.1999	0.275	+32 (8%-99)	Lehman Brothers Intl.
Lonrho Finance(e,f)§	64.5	6.00#	100.00	Feb.2004	2.50	-	CS First Boston
FRENCH FRANCS							
Soc. Gén. Acceptance(g)‡	300	(h)	99.50	Apr.2004	0.50	-	Societe Générale
Soc. Gén. Acceptance(i)‡	300	zero	100.00	Mar.1995	0.50	-	Societe Générale
CANADIAN DOLLARS							
JP Morgan & Co.	250	6.875	99.464R	Mar.2004	0.35R	+20 (6½%-04)	Lehman Brothers Intl.
SWISS FRANCS							
Tokyu Store Chain Co.(j)*φ	160	0.125	100.00	Mar.1998	-	-	Nomura Bank (Switz.)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. φWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: week of 28/2/94. Conv into GDR's. Callable after 5 yrs subject to 140% rule. b) 6-mth Libor +1.2%. c) Fungible with outstanding $250m. Plus 115 days accrued. d) Short 1st & 2nd coupons. e) Short 1st coupon. f) Conv price: 196p. Callable from 13/3/97, subject to 140% rule, at 102% falling 1%pa. Callable from 13/3/99 at par. Cleanup call if 85% of bonds converted. g) Issue launched 29/12/93 increased to FFr1.1bn. h) 7% fxd in 1st 6 mths and 14¼% - 1.85 x 3-mth Pibor thereafter. i) Redemption formula: 100% + 9% x (N/52); N is weeks 3-mth Pibor falls within declining range (6.85-5.85% to 6.00-5.00%). j) Fixing: 23/2/94.

Portuguese withholding tax changes approved

By Antonia Sharpe

Portugal yesterday approved changes to its fiscal system to enable non-resident investors to receive an automatic refund of the 20 per cent withholding tax which is levied on Portuguese government bonds.

Although Portugal has double-taxation treaties with most countries, many foreigners have been deterred from buying Portuguese government bonds in the past because of the lengthy procedure involved in reclaiming the tax which is levied on the coupons.

The widely-expected fiscal reform, which will apply to around $6bn worth of Portuguese government bonds listed on the Lisbon stock exchange, is part of the government's efforts to develop its domestic capital markets and attract more foreign investment.

Modelled on the Belgian system for refunding the tax to non-residents, the changes should also improve secondary market trading in Portuguese government bonds because dealers will be able to quote the coupons gross of, rather than net of, the withholding tax. The system should come into operation within a few weeks, once the decree is signed.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.2200	−0.580	6.38	6.29	6.32
Belgium		7.250	04/04	103.3500	−0.230	6.78	6.80	6.57
Canada *		6.500	06/04	98.5900	−0.160	6.69	6.56	6.42
Denmark		7.000	12/04	105.0000	+0.030	6.34	6.18	5.97
France	BTAN	8.000	05/98	109.4600	+0.390	5.42	5.39	5.05
	OAT	5.500	04/04	96.6500	+0.060	5.95	5.88	5.66
Germany		6.000	09/03	100.7300	−0.080	5.89	5.83	5.68
Italy		8.500	01/04	99.3200	+0.320	8.60†	8.45	8.35
Japan	No 119	4.800	06/99	106.5340	+0.050	2.95	3.06	2.71
	No 157	4.500	08/03	107.0330	−0.910	3.50	3.46	3.40
Netherlands		5.750	01/04	99.0000	-	5.88	5.81	5.65
Spain		10.500	10/03	116.0500	+1.000	8.04	7.90	7.86
UK Gilts		6.000	08/99	100-09	+8/32	5.94	5.95	5.65
		6.750	11/04	101-20	+2/32	6.51	6.58	6.07
		9.000	10/08	120-02	+3/32	6.82	6.86	6.42
US Treasury *		5.875	02/04	99-19	−13/32	5.93	5.94	5.69
		6.250	08/23	97-00	−15/32	6.48	6.42	6.28
ECU (French Govt)		6.000	04/04	98.5600	+0.020	6.19	6.13	5.92

London closing, *New York mid-day. Yields: Local market standard.
† Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime rates		Treasury Bills and Bond Yields			
		One month	3.17	Three year	4.82
		Two month	3.20	Five year	5.37
Prime rate	6	Three month	3.34	10-year	5.91
Broker loan rate	5	Six month	3.52	30-year	6.46
Fed.funds	3⅞	One year	3.81		
Fed.funds at intervention	-⅛	Two year	4.44		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.42	128.88	+0.24	129.28	128.24	364,367	158,138
Jun	127.98	128.46	+0.20	128.74	127.84	15,304	22,929
Sep	127.24	127.70	+0.18	127.96	127.12	884	8,796

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
128	1.01	1.47	1.54	0.10	0.98	1.69
129	0.26	0.96	1.06	0.35	1.50	2.33
130	0.04	0.60	0.72	1.11	-	-
131	0.01	0.36	0.48	-	2.80	-
132	0.01	0.20	-	-	-	-

Est. vol. total, Calls 44,533 Puts 66,290. Previous day's open int., Calls 348,576 Puts 353,272.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.62	98.86	-0.02	99.30	98.38	262015	186136
Jun	98.53	98.54	-0.02	99.12	98.26	5831	14461

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9850	0.34	0.93	0.18	0.89
9900	0.11	0.70	0.45	1.16
9950	0.04	0.51	0.88	1.47

Est. vol. total, Calls 41465 Puts 28645. Previous day's open int., Calls 308820 Puts 298144

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	101.96	102.16	+0.16	102.41	101.85	1220	9345

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.20	115.82	+0.40	116.65	114.96	106986	88842
Jun	115.40	115.88	+0.25	116.70	115.17	3488	10945

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
11550	0.54	2.37	0.22	1.99
11600	0.27	2.11	0.45	2.23
11650	0.12	1.88	0.80	2.50

Est. vol. total, Calls 5364 Puts 4736. Previous day's open int., Calls 56946 Puts 67327

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	104.43	104.80	+0.35	105.40	103.95	99,899	108,316
Jun	105.65	104.39	+1.26	105.65	105.55	919	11,807

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116-08	116-14	+0-08	117-01	115-28	129866	143940
Jun	115-16	115-21	+0-08	116-02	115-16	6006	10671

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
116	0-38	1-42	0-10	2-00
117	0-10	1-15	0-46	2-37
118	0-02	0-57	1-38	3-15

Est. vol. total, Calls 12875 Puts 8837. Previous day's open int., Calls 126105 Puts 83150

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	119.74	120.08	+0.08	120.40	119.60	6,057	14,852
Jun	-	95.16	+0.08	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	114-15	115-03	+0-18	115-15	114-13	175,136	306,125
Jun	113-13	114-02	+0-18	114-13	113-13	5,541	40,658
Sep	113-02	113-08	+0-18	113-14	113-01	1,796	34,180

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	114.15			114.20	113.70	807	0
Jun	112.80			113.00	112.47	4416	0

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Feb 17	Day's change %	Wed Feb 16	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	128.94	+0.13	128.77	2.13	1.23
2 5-15 years (21)	158.59	+0.26	158.68	1.31	2.62
3 Over 15 years (8)	183.30	+0.22	182.90	1.12	2.46
4 Irredeemables (6)	220.05	+0.61	218.71	3.16	0.00
5 All stocks (60)	154.02	+0.22	153.92	1.62	2.09
Index-linked					
6 Up to 5 years (2)	189.60	−0.02	189.63	0.49	1.41
7 Over 5 years (11)	187.90	−0.25	188.37	0.63	0.79
8 All stocks (13)	187.15	−0.23	187.57	0.62	0.85
Debentures and Loans					
9 Debs & Loans (69)	154.38	+0.47	153.64	2.23	1.66

	Low coupon yield Feb 17	Low Feb 16	Low Yr. ago	Medium coupon yield Feb 17	Medium Feb 16	Medium Yr. ago	High coupon yield Feb 17	High Feb 16	High Yr. ago
5 yrs	5.89	5.95	6.37	6.13	6.19	6.96	6.23	6.28	7.15
15 yrs	6.70	6.73	7.84	6.79	6.81	8.35	6.97	7.01	8.63
20 yrs	6.80	6.83	8.17	6.80	6.82	8.52	6.99	7.02	8.72
Irred.†	6.87	6.92	8.63						

	Inflation 5% Feb 17	Feb 16	Yr. ago	Inflation 10% Feb 17	Feb 16	Yr. ago
Up to 5 yrs	2.15	2.13	1.99	1.21	1.19	1.10
Over 5 yrs	3.05	3.03	3.52	2.86	2.84	3.33

	5 year yield Feb 17	Feb 16	Yr. ago	15 year yield Feb 17	Feb 16	Yr. ago	25 year yield Feb 17	Feb 16	Yr. ago
Debs & Loans	7.64	7.70	8.65	7.77	7.82	9.46	7.85	7.90	9.69

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 17	Feb 16	Feb 15	Feb 14	Feb 11	Yr ago	High*	Low*
Govt. Secs. (UK)	104.44	104.21	103.85	103.98	103.92	96.13	107.60	93.28
Fixed Interest	128.33	128.10	127.77	128.11	128.30	111.83	133.87	108.67

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10
Gilt Edged bargains	103.2	99.8	100.5	127.2	122.0
5-day average	109.4	114.2	122.4	128.7	131.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 17

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100	100¼	-⅛	6.49
AlbertaProvince 9⅜ 95	600	107⅜	107⅞	-⅛	4.71
Austria 8½ 00	400	112¾	113⅛	-⅛	5.89
Bank of Tokyo 8⅜ 98	100	108⅛	108⅝		5.24
United Kingdom 7⅛ 97	5500	105⅜	105¾		5.39
Volkswagen Intl Fin 7 03	1000	102½	103	+⅛	6.62
World Bank 0 15	2000	27⅜	27¾	-¼	6.11
World Bank 5¾ 96	300	101½	102	-¼	4.97
World Bank 8¾ 00	1250	115¾	116⅛	-¼	5.65
Alliance Leics 11¾ 97 £	100	114⅝	115⅛		6.21
British Gas 12¾ 95 £	300	106⅞	107¼	-¼	5.42
British Land 8⅞ 23 £	150	103	103½	+⅛	8.78
EIB 10 97 £	637	110¾	111⅛		5.93
Halifax 10⅜ 97 £	100	111¾	111⅞	-⅛	6.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS

	Issued	Conv. price	Bid	Offer	Prem.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Conv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

Notes	Yield (1)	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1993: 141.0 and for January 1994: 141.3.

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Wickes jumps to £18m and plans more stores

By Neil Buckley

Wickes, the DIY and timber retailer, said yesterday it would open 25 stores in each of the next three years, as it announced a five-fold increase in full-year profits before tax to £17.8m from a restated £3.46m last year.

Mr Henry Sweetbaum, chairman, said the chain would expand from 82 stores to 150 by 1996.

Some 19 stores will open in the UK this year, and 6 in France, Belgium and the Netherlands. Mr Sweetbaum said he hoped to increase the number of openings outside the UK.

Wickes has cut prices on 1,000 of its 3,700 lines with the aim of increasing volumes. Mr Sweetbaum said like-for-like sales increases for the last 8 weeks that were "comfortably into double figures" suggested the strategy was working and consumer confidence was improving.

Group turnover for the 1993 year increased from £548.4m to £608.5m; operating profits rose from £18.4m to £25.8m.

Figures for the individual businesses will be published in the annual report next week, but Mr Sweetbaum said turnover in UK retailing increased 13 per cent, and pre-tax profits 19 per cent.

Sales were up 10 per cent at Hunter Timber, which cut its loss to about £1.5m before interest. But Malden, Wickes' other timber business, continued to be squeezed by a weak market among small builders, and its deficit showed little change at about £4.5m.

Wickes is merging the managements of the two businesses to cut costs and to develop a joint marketing strategy.

Group borrowing has fallen from £73.2m to £10.1m, cutting gearing to 7 per cent, thanks to last year's £58.1m rights issue and a net cash inflow of £5m.

Earnings rose from 0.8p to 4.2p, and the final dividend – reinstated after a two-year absence – is 0.8p, making a total of 1p.

● COMMENT

Police had to be called to cope with the traffic as Wickes opened its second store in France yesterday – testimony, perhaps, to the strength of its format. With a limited, all own-label range, it has developed a loyal following among DIY enthusiasts and trade customers, and is sufficiently different from its competitors to be planning expansion in what is usually considered a saturated market. The timber operations, whose acquisition almost sunk the business three years ago, remain a concern, but the pick-up in the housing market and Wickes' cost-cutting efforts could bring an improvement this year. Current-year forecasts of about £32m put the shares on a multiple of 20 – a 15 per cent premium to the market, but one justified by Wickes' status as a strong recovery stock.

QMH seeks investors' approval to raise borrowing powers

By Maggie Urry

Queens Moat Houses, the hotel group whose shares have been suspended since last April, yesterday called a special meeting to confirm an increase in its borrowing powers to £2bn.

The board has also reappointed Mr Andrew Coppel, chief executive, as a director.

Without the confirmation of the borrowing powers, the circular warns investors, the directors doubt whether QMH would be able to continue to trade.

Resolutions to lift the debt ceiling and the re-election of Mr Coppel were passed at the annual meeting last summer, but proved invalid when the company found that one class of preference shareholders had not been given the chance to vote. The meeting will be held on March 8.

QMH said that some other resolutions passed since 1989, including one to increase the authorised share capital, had also been found to be invalid. These would be dealt with at the same time as proposals for the £1.3bn refinancing were submitted to shareholders.

Approval for Mr Coppel's appointment will be sought at the next annual meeting.

QMH has succeeded in re-acquiring 11 Holiday Inns in Germany, which were disposed of under a sale and leaseback deal struck at midnight on December 31 1992, the last day of that financial year.

The company said it had no comment to make about putting 14 provincial hotels, including its original hotel in Brentwood, Essex, up for sale. It has also put seven of its Dutch hotels on the market.

Mr Coppel said the group was under no pressure from its banks to sell hotels, and that it would not be in the best interests of shareholders or creditors if a lot of hotels were sold in the short term.

In Shops' shares rise 30p on bid from Birkby

By Simon Davies

Birkby, the managed workspace, vehicle hire and instalment credit company, yesterday announced the proposed takeover of In Shops, a listed retail space management company.

In Shops' share price rose 30p to 113p on the news.

The acquisition will double the issued share capital of Birkby, which is confident it can achieve significant rationalisation benefits, and reduce vacancy rates at the 66 retail centres managed by In Shops.

Birkby, which is advised by Charterhouse Tilney, is offering 5 new shares for every 12 In Shops shares, valuing the target company at £58m, based on Wednesday's closing share price. This represented a 33 per cent premium to its market value.

There is a part cash alternative, whereby shareholders can accept 3 shares plus 480p cash, for every 12 In Shops shares. The deal would result in the issue of 21.8m new Birkby shares, giving it a market capitalisation of more than £120m.

In Shops' management has unanimously supported the offer, and Birkby has received irrevocable acceptances from shareholders representing 19.4 of the company.

Birkby was formed through the reverse takeover of listed shell company Finlan in August 1992, when it had a market capitalisation of £13m.

It has built up a portfolio of low cost properties, primarily redundant textile mills, and converted these into light industrial business centres, with small low cost units.

It has also expanded commercial vehicle hire and instalment credit businesses, aimed primarily at servicing the workspace customer base.

Birkby weathered the recession with occupancy rates above 90 per cent, and minimal bad debts.

The company is forecasting pre-tax profit for the year to March 1994 of at least £3m (excluding discontinued operations).

● COMMENT

Birkby has expanded at a breathtaking pace, but its management has yet to put a foot wrong, achieving 20 per cent annual returns on new premises acquired. Based on official forecasts for the current year, it is trading on a p/e of 18. The takeover is expected to succeed, and the enlarged Birkby would have to achieve profits of about £8m to equal this figure in 1995. This represents the combined forecasts for the two companies, plus about £800,000 rationalisation benefits. This should be easily exceeded and the shares should have further to go in the longer-term.

Glaxo's rise masks weak areas

By Daniel Green

Glaxo's achievement in breaking the £1bn barrier for six months' worth of pre-tax profit hides wide variations in performance between countries and products.

Zantac, the world's biggest selling drug, accounts for 43 per cent of Glaxo's turnover. Sales in the six months to December 31 rose by 5 per cent in constant currency terms to £1.2bn and by 11 per cent in the US. In Germany, however, sales fell by 21 per cent as healthcare reforms cut doctors' prescribing powers.

Sales in Italy, where the scheme under which the state contribution to the cost of drugs is being reformed, fell by 6 per cent.

In the UK the sales fall was 9 per cent, exacerbated by cheaper imports from France and Spain.

Parallel exports to the UK helped boost sales in France and Spain, but the overall effect was not enough to prevent Zantac's share of the world market falling from 38 per cent to 36 per cent in 1993.

The biggest gain in market share was by Losec, made by the Swedish company Astra. This drug is now Glaxo's main competitor in ulcer treatments.

Glaxo's second most important treatment area is in respiratory drugs, mostly for asthma sufferers. Ventolin increased sales by 8 per cent in constant currency terms to £272m.

Sir Richard Sykes, chief executive, said that even though the drug was no longer under patent protection, potential competitors were finding it difficult to deliver the active ingredient via inhalers safely into the lungs of asthma sufferers. Sales of a new asthma drug, Serevent, jumped by more than half to £46m and the product is to be launched in the US in April.

Sir Richard blamed the fall in Ventolin's market share from 14 per cent to 12 per cent, on the strong sales of Serevent.

Glaxo has the anti-migraine market to itself and its product, Imigran (Imitrex in the UK), saw six month sales jump from £35m to £113m. With the tablet version likely to be approved in the US shortly the company has launched a "Migraine disease awareness programme" there.

The other main new product, Zofran, which controls nausea in chemotherapy patients and after operations, increased sales by 17 per cent in constant currency terms to £207m. The sharpest growth was in the US. European sales fell by 3 per cent. Sir Richard blamed cost pressures, lower doses and sampling by doctors of newer products, for the decline.

The final product area, antibiotics, saw steady growth of 7 per cent in constant currency terms to £431m. Market share increased by one point to 14 per cent.

GKN increases pace in Westland bid

By Tim Burt

The struggle for control of Westland moved up a gear yesterday when GKN, the engineering and industrial services group, sought to justify the terms of its hostile bid for the helicopter manufacturer.

Announcing the distribution of its formal offer to shareholders, GKN claimed its 290p bid for ordinary and preferred shares – valuing Westland at £497m – was equivalent to more than 25 times its fully diluted 1993 earnings.

Sir David Lees, GKN chairman, said: "United Technologies Corporation which owns Sikorsky, one of the world's largest helicopter manufacturers, has agreed to accept the offers and believes that GKN's price is fair." Sikorsky's US parent company has agreed to sell its 18.7 per cent stake to GKN, taking the group's fully diluted holding to 45 per cent.

Tony Andrews
Organising resistance: Sir Leslie Fletcher (left) with Alan Jones

Sir David also said Westland's share price had been boosted by bid speculation and last year's £385m damages award against the Arab Organisation for Industrialisation.

Westland, meanwhile, disclosed at its AGM that it had received £25m following the ruling, which relates to an abandoned helicopter contract in the Middle East.

Mr Alan Jones, who yesterday succeeded Sir Leslie Fletcher as chairman, said the company had also obtained orders in Europe and the US restraining banks from releasing deposits held by the AOI. He urged shareholders to resist GKN's overtures and said Westland would soon issue a detailed defence document.

Roxspur poised to buy Brearley

By Katrina Lowe

Roxspur, the maker of steel furniture and playgroup equipment, yesterday announced plans to acquire Brearley Group, a Sheffield-based maker of temperature sensors, from a subsidiary of Anglo United for about £4.72m cash.

The acquisition is to be funded via a placing and open offer of 25.7m shares at 21p to raise £5.04m. The placing is subject to clawback by shareholders on a 10-for-9 basis.

Holders of 37.9 per cent of the capital have undertaken not to take up their entitlement, which has been placed conditionally with institutions.

The exact purchase price is subject to adjustment if net assets of Brearley at completion fail to meet the warranted £1.57m.

In the nine months to December 31, Brearley achieved pre-tax profits of £334,000 on sales of £2.68m.

Shareholders' approval for the deal and for a capital reduction will be sought at an extraordinary meeting on March 14.

Mr Ian Orrock, Roxspur chairman, said yesterday that the purchase fitted "perfectly in our strategy of building an electro-mechanical group."

Roxspur also announced increased pre-tax losses of £433,000 (£343,000) for the six months to November 30, which it attributed mainly to reduced gross margins due to price competition, lower sales and completion of certain works.

Sales fell by 21 per cent to £1.54m (£1.95m) as bad weather delayed work. Operating loss on continuing operations came to £397,000 (£190,000) and interest charges took £36,000 (£59,000).

Per share, the deficit came to 1.9p (6.7p).

British Fittings pays £1.3m for distributor

British Fittings Group has acquired Wasteneys Smith & Sons, a steel tube, valve fittings and pipeline equipment distributor, for about £1.3m in cash.

For the year to March 31 1993, Wasteneys, based in Newcastle upon Tyne, incurred a pre-tax loss of £74,849. It has net assets of about £1.6m.

British Fittings does not expect any dilution in earnings as a result of the acquisition, following which its gearing will be just over 60 per cent.

Proteus in US drug agreement

Proteus International, the USM-traded computer drug design company, has entered into a licence agreement whereby Hess & Clark, of Ohio, will market its Z-sorb calf scour product.

Proteus, which had previously predicted it would not make sales of any product until the middle of 1995, said that Z-sorb would be launched later this year.

H&C, the animal health and feed additives company within the ConAgra group of Nebraska, which has annual sales of $21bn (£14bn), will market the Proteus product in the US and Canada.

Z-sorb is an anti-diarrhoeal oral suspension and is effective against both viral and bacterial calf scours.

Photo-Me wins support for £38m French buy

By Peggy Hollinger

Shareholders at Photo-Me International have approved the picture booth manufacturer and operator's move into France with the £38m purchase of KIS.

The proposal to acquire KIS, which has developed a booth using digital electronic technology, was passed by a unanimous show of hands at yesterday's extraordinary general meeting held in Surrey.

About 35 investors attended the meeting.

Mr David Miller, managing director, said the acquisition was expected to be dilutive in the current year as it would be included for just three or four months. KIS would, however, be earnings enhancing next year.

A dispute over the intellectual copyright to the technology used by KIS "was not material", said Mr Miller, and had not been put to shareholders at the meeting.

Round Point Trading has claimed that it would be able to hinder the use of the KIS photo booth for up to two years after exercising options in a third company.

Mr Miller said Photo-Me had taken advice from solicitors and Round Point's claims were considered to be without foundation.

Heavy weather delays Hartstone sale

By Peggy Hollinger

Hartstone was well and truly snowed under yesterday as the freak cold weather threatened to put the skids on the refinancing being negotiated by the hosiery and handbags group.

News that the roof had caved in under the weight of heavy snow at a French hosiery factory on Monday caused Courtaulds Textiles to call for a delay in its proposed £45.4m purchase of Cogetex, the French company acquired by Hartstone in 1991. The disposal is a fundamental part of the refinancing package which was due to be completed earlier this week.

Courtaulds Textiles has the right to withdraw from the transaction if the damage to the factory's packaging and storage premises exceeds the insurance cover by £4.5m. Hartstone is understood to be covered for damage of up to £50m.

Hartstone is currently operating without a standstill arrangement, which expired on January 16, as it had believed medium-term financing arrangements would have been in place by the end of this month. These are now likely to be delayed by at least two to three weeks.

Mr Shaun Dowling, the chairman who has sought to turn round the struggling group for the last eight months, said yesterday he felt this was merely "one more aggravation to add to all the others".

Guangdong Fund to begin trading after raising $91m

By Simon Davies

The Guangdong Development Fund, a China direct investment fund co-managed by the investment arm of the Guangdong Provincial Government, will start trading on the London stock market on Wednesday, after raising $91m (£62.3m).

The fund was targeted to raise between $75m and $100m, but it can raise a further $9m within the coming weeks, to take it up to the maximum limit.

The fund will focus on direct investments in Guangdong Province, which borders Hong Kong and has become the most affluent of China's provinces since Deng Xiaoping launched his Open Door Policy in 1979.

The managers, Guangdong Capital and First Eastern – a company controlled by Mr Victor Chu – have already signed letters of intent on five investments, which would cost $26.5m.

Clinical Computing at 173p in first day dealings

By Paul Taylor

Shares in Clinical Computing, the medical software group which came to market via a placing with institutional investors, jumped to a 40 per cent premium on their first day of trading.

The shares closed at 173p yesterday, compared with the price of 124p set by Keith, Bayley, Rogers, which sponsored the issue of 4.05m shares representing 25 per cent of the enlarged capital.

Demand for the shares was buoyed by the New Issue Register, which launched a scheme for private investors last year and applied for 815,300 shares. It received 550,000 shares on behalf of 819 applicants.

The flotation was designed to raise a net £3.1m in new funds for the London-based group and enable development of its Proton suite of software packages which help doctors and other healthcare workers store, manage and analyse clinical information.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Alumasc	int	2.05†	Apr 15	1.85	-	5.875
Amicable Smaller	fin	1.7†	Apr 5	1.7	3.4	3.4
Anglo & O'seas	fin	5.4	Apr 21	5.1	7.15	6.85
English & O'seas	fin	0.5	July 6	nil	0.5	nil
Glaxo	int	9†	Apr 11	7	-	22
HTV	fin	1	-	nil	1	nil
Kleinwort Benson	fin	12.5	May 16	10.7	18.5	16
McAlpine (A)	fin	3.5	Apr 29	3.5	6.5	6.5
River & Merc Tst	fin	2.45	Apr 8	2.45	9.2	9.2
Throgmorton Tst	fin	1.4	Mar 31	1.4	2.3†	2.3
Wickes	fin	0.8†	July 18	nil	1	nil

Dividends shown pence per share net except where otherwise stated. †On increased capital.

COMPANY NEWS: UK

Cheltenham & Gloucester rises to £202m

By Alison Smith

Cheltenham & Gloucester Building Society, the UK's sixth largest, yesterday reported a 55 per cent rise to £202m in pre-tax profits for the year to end-December.

The results benefited from a sharp fall in provisions for bad and doubtful debts to £75.9m.

For 1992 profits and provisions were affected by the acquisition of the Portsmouth building society in 1991. At the pre-tax level they fell to £130.6m with bad debt provisions nearly tripling to £210.7m.

For the year under review, total assets rose from £16.2m to £17.7m, with £870,000 of the increase coming from the takeover of the Heart of England building society.

While mortgage advances fell slightly to £2.2bn (£2.3bn), C&G still increased its share of the UK mortgage market from 3.88 per cent to 4.08 per cent.

The society said that without the acquisition of Heart of England there would have been a "modest increase" in market share.

Net retail inflow was £125m (£474m) but as C&G's wholesale funds did not rise during the year, its non-retail funds fell to 22.8 per cent (24 per cent) as a percentage of shares and deposits.

The society said that in the absence of greater mortgage demand there was no need to attract more retail funds, but that it would respond to any increase in demand.

Net interest receivable and other income and charges both fell back from 1992 at £330.6m (£377.2m) and £59.5m (£60.9m) respectively.

Cost/income ratio rose to 26.4 per cent(22.1 per cent) ,but is still below the sector average.

Administrative expenses rose to £103.1m (£96.8m) reflecting factors such as the refurbishment of about 21 HoE branches and the opening of three new branches.

Mr Andrew Longhurst, chief executive, said the society was considering opening 12 branches in the coming year, and looking to expand in the north of England, though he would expect the overall size of the branch network to remain the same.

A conversion to plc status remained a possibility, he said, if continuing under the regulatory regime for societies prevented C&G from competing effectively in the mortgage and retail deposit markets.

He emphasised the society's possibilities for growth, despite the static nature of the housing market at present and fierce competition from banks, by increasing its share of the building societies' share of the mortgage market.

Confidence borne of a successful year

John Gapper asks whether the upbeat mood at Kleinwort Benson can be sustained

Of the 200 years of Kleinwort Benson's history, few can have been more eventful than 1993. The investment bank suffered uncertainty while it looked for a new chief executive to help rebuild its past pre-eminence, yet doubled profits to record levels because of buoyant financial markets.

Not only was it a tumultuous year – culminating in the decision not to hire a chief executive from outside – but yesterday's results told the story more clearly than in the past. They included previously-hidden details of income and the balance sheet to comply with an EU directive.

Lord Rockley, Kleinwort's executive chairman, decided in December to appoint two heads of investment banking under him and Mr Simon Robertson, deputy chairman, rather than hiring a chief executive to follow Mr Jonathan Agnew. He said he had confirmed his view that it had "a lot of good people".

Quite a few of them earned a lot of money, with the bulk of a £72m rise in expenses coming from bonuses. The question is whether they will earn as much this year. That would require Kleinwort truly to have improved the quality of earnings rather than just gaining windfall profits last year.

The new management has a substantial task. It has to put an end to the historic tension between its corporate finance and securities operations which dogged it in the late 1980s. It also has to show that Kleinwort can compete internationally with global investment banks, notably US ones.

Some have argued that Kleinwort sits uncomfortably in the middle range of merchant banks, neither being a small niche player nor of sufficient size to compete with SG Warburg. The bank has also been vulnerable to the charge that its earnings are too vulnerable to market volatility.

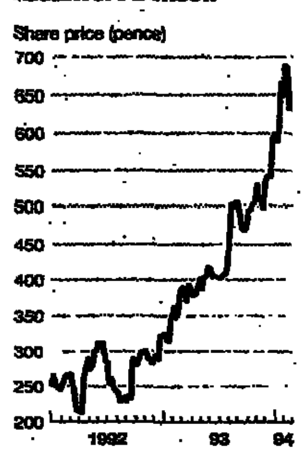
Mr Robertson emphasised yesterday that the bank's work on more than 200 international equity issues and placings last year had required co-operation between its primary and secondary sides. "Our success in bought deals was proof positive that the two sides work together well," he said.

The bank carved out a niche in privatisation – such as those of electricity utilities – working on 45 such initiatives in 16 countries. Lord Rockley said that showed there was "a place for a European merchant bank as opposed to the world being dominated by international investment banks".

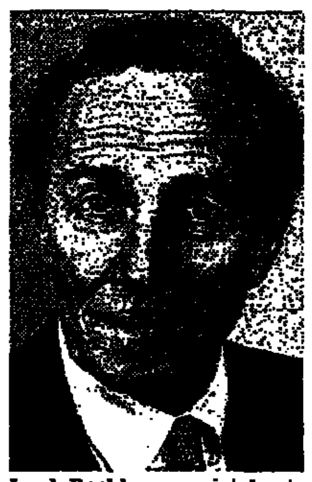
Yet the bank believes its capacity to place securities in all markets needs to grow. Lord Rockley pointed to successes such as placing Carrefour's FFr 2.04bn stake in Castorama in 17 countries last March, but said that one priority was to "increase our international distribution capability".

Apart from reinforcing its international presence, the main task is to ensure earnings are sustained. One difficulty is that it benefited heavily from a rise in dealing profits from £61.9m to £120.8m, which are unlikely to be repeated in more subdued treasury and capital markets this year.

Kleinwort Benson



Source: FT Graphite



Lord Rockley: a mistake to have high fixed cost base

Kleinwort has tried to build up earnings from investment management to stabilise income. But although funds managed by its asset management arm rose from £8.9bn to £11.1bn, profits from investment management rose 3 per cent to £26.4m, compared with a 290 per cent rise in investment banking profits.

This was one reason for a fall in its shares yesterday despite large profits. "I am slightly left with the impression that the quality of earnings is not good enough, although it is fair enough that they took advantage of strong markets," said Mr Philip Gibbs, an analyst at Barclays de Zoete Wedd.

In response, the bank points to a number of aspects of its figures to illustrate their strength. One is that it claims to be less aggressive than US banks, and even UK ones such as Warburg in boosting profits by using its own capital to trade. This would make it less susceptible to a downturn.

"Some banks get big profits, but there are big risks as well," said Mr Rob Jeens, finance director. He also emphasised the 67 per cent rise in fee and commission income to £239m, against a 12 per cent fall in net interest income. Kleinwort argues that such income is more sustainable.

The bank has also tried to make its cost base more flexible by shifting away from basic salaries to bonuses. "The greatest mistake in a cyclical business is to have a high fixed cost base," said Lord Rockley.

The atmosphere at Kleinwort was cheerful yesterday. "There is a lot more confidence around here that I do not think was there two or three years ago," said Mr Robertson. The test will be whether such confidence can be sustained in a year that is likely to be less kind, and less exciting.

English & Overseas back in the black

By Simon Davies

English & Overseas Properties yesterday announced a return to profitability with pre-tax profits of £312,000 for 1993.

The outcome compared with a deficit of £707,000, struck after an exceptional charge of £982,000.

Mr Jim Clark, chairman, said the company hoped to be able to aggressively expand its existing investment and development portfolio during the current year.

EOP plans to move away from the consultancy work which saw it through the recession and into property investments, where it can add value through intensive management.

Turnover rose to £5.98m (£986,000), primarily due to contributions from acquisitions and recently-completed development properties.

Fully diluted earnings per share were 1.11p, against losses of 2.86p, and the company returned to the dividend list with a final of of 0.5p.

During the year, the company gained court approval to transfer £1.5m from capital reserves to distributable reserves.

Israel Fund lifts target to $200m

By Bethan Hutton

The UK's first specialist Israeli investment trust has increased its size after heavy demand during the placing stage.

The dollar-denominated Israel Fund, to be managed by Barclays de Zoete Wedd, was originally aiming to raise the equivalent of £100m in total. That has been upped to a maximum of $200m (£136.9m), $140.6m of which has already been raised from the placing, which closed earlier this week.

The public offer opened yesterday and closes on March 3. First dealings are expected on March 17. Shares are being offered at $1, with one warrant attached to five ordinary shares. The fund will invest in Israeli companies listed in Tel Aviv or elsewhere, principally on Nasdaq. Up to 10 per cent can be invested in unquoted companies.

The managers believe that a number of factors give Israel strong capital growth potential. These include continuing immigration, particularly of highly-qualified Russians, the easing of the Arab boycott, shrinking defence expenditure, a large privatisation programme, and a growing tourist industry.

The main Tel Aviv index rose by 27 per cent last year, after a rise of 75 per cent in 1992. The fund's promoters are stressing that Israel is a mature rather than emerging market, but its economy is growing at rates comparable to emerging markets, greater than those of European countries.

However, recent events in the Israeli stock market may have unsettled some potential investors. The arrest last week of a number of portfolio managers on suspicion of share price manipulation hit the market after a series of falls prompted by other factors, such as the US interest rate cut and a general correction of a developing "bubble".

Mr Roger Hornett, of Société Générale Strauss Turnbull Securities, sponsors of the Fund, said that the arrests demonstrated that the regulatory authorities took a firm view of irregularities, detecting them even in high-volume trading, and as such gave an encouraging sign to international investors.

See world stock markets

ICD mounts sharp recovery to £0.2m

By Gary Evans

International Communications and Data, the marketing services group subject to a recent unwelcome bid, recovered from a £1.17m loss to report a pre-tax profit of £191,000 in the six months to November 30.

Mr David Cicurel, chairman, attributed the improvement to a strong performance by ICD Marketing Services, the elimination of losses and the near-halving of central costs and interest.

He hit out at PSB Group, the direct marketing concern, which he said "had attempted to obtain backdoor management control of ICD without making an offer to all shareholders."

Resolutions put forward by PSB, which claims to control 23.6 per cent of ICD's voting rights, were defeated at an EGM in December. PSB had sought the removal of the majority of ICD's existing directors and their replacement by PSB nominees.

Mr Cicurel said that associates of PSB had since indicated that they were considering making an offer for the company. "If this were to take place at a fair price it would be a successful outcome to the upheavals of last autumn," he added.

In December PSB launched a counter bid for ICD, after IMC Industries, in which Mr Cicurel is a large shareholder, was forced into a mandatory bid after exercising a share option.

The USM-quoted soft drinks and leisure company said it did not wish to gain ICD, however, and pitched its offer at the lowest price permitted under the takeover code.

ICD received £486,000 from the share option. This gave IMC a 10.6 per cent stake in ICD and with its supporters, IMC now claims to hold about 40 per cent.

The defence costs of the PSB bid amounted to £110,000 and were charged as an exceptional item against the half year profit.

Turnover on continuing operations came to £2.91m (£2.44m), while earnings per share were 0.84p (2.05p losses).

Relyon warns on profits

Directors of Relyon Group, the beds and furniture manufacturer, warned yesterday that its annual results would be adversely affected by non-recurring costs.

They estimated that pre-tax profits for the 12 months to December 31 would be reduced by some £700,000 by the items, which include costs of withdrawal from its French operation and redundancy payments following reorganisation.

The bottom line would also suffer from a higher than expected tax charge, following payment of a tax liability dating back to 1984-85.

They emphasised, however, that the underlying trading performance was in line with expectations and that the current year had started well.

COMPANY NEWS: UK

Goldsborough valued at £74.5m in float

By Maggie Urry

Goldsborough Healthcare was given a market value of £74.5m yesterday when its flotation was priced at 170p a share.

The shares are on a pro forma historic p/e for the year to October 3 of 18.6, and the indicated notional yield for the current year is 2.4 per cent.

The float will enable Kunick, the leisure group, to sell its entire holding of 12.6m shares in Goldsborough, and have loans repaid, giving it gross proceeds of £24.8m and an exceptional profit on the sale of £2.2m.

NatWest Ventures, which took a stake in Goldsborough in October 1992, will sell 5.8m shares, cutting its stake to 9.9 per cent.

Management is increasing its stake to 2.4 per cent with Mr Graham Smith, chief executive, investing £249,000 to take his stake to 1.6 per cent.

On the flotation Mr Smith will have a new three-year, fixed-service contract at £130,000 a year.

Goldsborough, which operates nursing and residential homes, acute hospitals and homecare services, will also raise £29m through the issue of 18.2m new shares. This will cut net debt to £7.8m, 15.4 per cent of pro forma shareholders' funds.

A total of 36.6m shares are being sold, 83.6 per cent of the company. Of these 65 per cent – 23.8m shares – have been placed firm and the balance is being offered to the public.

Goldsborough said the current year had started well with 95 per cent occupancy in the homes and a 29 per cent rise in care hours provided by the homecare division. Profits would benefit from acquisitions last year.

Mr Smith said he expected growth to be both organic and through acquisition. Gearing could rise to more than 50 per cent in two to three years but would not exceed 100 per cent.

Applications close on February 24, with dealings due to start on March 4.

● **COMMENT**

This float smacks a little too much of a desire by Kunick to sell. Rumblings over the placing suggest the pricing is perhaps a few pence too greedy. While most other nursing home groups have come to market with net cash, allowing a fair period before a rights issue is required, Goldsborough is coming with net debt. It can point to its diversity of activities as a strength, although three quarters of profits still come from the care homes division where it is a long way short of market leadership. On a forecast of pro forma pre-tax profits of £6.55m (£4.3m) the prospective p/e is 14.8, which may be just enough of a discount to get the issue away.

Tring Int places 49.9% with ease

By Michael Skapinker, Leisure Industries Correspondent

Tring International, the recording company which faces legal action from several larger competitors, yesterday announced that the placing of 49.9 per cent of its enlarged share capital had been substantially oversubscribed.

The shares were priced at 118p, giving the company a market capitalisation of £50.2m. It expects pre-tax profits of £5.1m for the year to March 31. Expected earnings per share of 8.42p put the shares on a prospective multiple of 14 at their placing price. Dealings begin next Wednesday.

Mr Philip Keane, finance director, accepted that some potential investors might be wary because of the copyright litigation Tring faced, but he thought the shares had been priced realistically.

Tring is being sued by MCA, PolyGram and K-Tel International for alleged copyright infringement. Last month it agreed to pay £20,000 to EMI Music, which had sued it for breach of copyright.

The company has said it does not expect the litigation to have a significant financial impact. Mr Philip Robinson, joint chief executive, said none of Tring's 800 album titles represented more than 1.5 per cent of sales.

Mr Mark Frey, the other joint chief executive, said the litigation affected 70 musical tracks out of more than 8,000 in the company's catalogue.

Mr Robinson said that the company had indemnities from its licensors, ensuring that Tring would be reimbursed for damages paid and the complainants' legal costs if licences proved to be invalid.

The company also said yesterday that it was issuing 2.5m new shares, raising £1.4m net of expenses. Mr Frey and Mr Robinson were receiving £3.7m each from the placing, although each will retain a 12.37 per cent stake in the company. The remaining shares which were not placed yesterday are held by other directors and investors.

Tring said that it would have paid a net dividend of 3.8p if it had been listed throughout the current financial year, giving a notional gross yield of 4 per cent at the placing price.

Quadrant placing for acquisition

Quadrant Group, the photographic and video products supplier, yesterday announced the acquisition of Yewlands Engineering from Carlton Communications and a placing and open offer to raise about £4.1m.

Consideration for Yewlands is £2.66m in cash on completion and, under the terms of a subscription agreement, Carlton has agreed to pay Quadrant £2.16m in cash on completion. Some £1.6m of that will be by way of a non-interest bearing loan note, repayable in March 1996. The balance, of £560,000, will be by way of subscription for 1.6m new shares in Quadrant at 35p, which Carlton will hold for at least two years.

The placing and open offer, underwritten by Hambros, is of up to 11.7m new ordinary shares on a 1-for-2 basis at 35p. Proceeds will be used for the acquisition and to reduce indebtedness of the enlarged group.

Yewlands is a maker of precision engineered components mainly for the aerospace industry. It made profits of £800,000 pre-tax on turnover of £10.9m in the year to September 30.

Flotation set to put £200m tag on MIN

By Peggy Hollinger

Midland Independent Newspapers, the regional publisher, is likely have a market value of close to £200m when it comes to market next month.

Analysts were yesterday speculating that it would float on a prospective multiple of about 21-22 times.

MIN has been compared with Trinity International and Johnston Press, both of which have multiples of about 24.5. Last year, MIN made operating profits of £15.7m (£13.4m) on sales of £79.6m (£66.6m).

The group was bullish about its prospects yesterday as it published the pathfinder prospectus ahead of the float which will reduce the debt incurred in the management buy-out in 1991. It said classified recruitment advertising, the highest yielding category, had risen by 20 per cent, year on year, in the second half of 1993. Costs had been cut by £4.5m, while operating margins jumped from 8.9 per cent in 1991 to 21.4 per cent in 1993.

The prospectus highlighted the litigation launched earlier this week against Mr David Sullivan, owner of Birmingham City Football Club, and Ms Karren Brady, its managing director. The two are being sued for libel in connection with the distribution of an anonymous letter making certain allegations regarding the group, its titles and the listing.

Ms Brady said she had met with MIN executives this week and both parties had agreed "this has gone too far. We hope to have a meeting soon".

CrestaCare buys nursing homes

CrestaCare, the north of England and Northern Ireland nursing home operator, has conditionally agreed to purchase a further two nursing homes for £2.38m cash.

The purpose built homes, Cedars Nursing Home and Cedars Lodge Nursing Home, are situated in Doncaster and comprise 80 beds.

The purchase raises CrestaCare's number of clinics to 37 and the number of beds in operation to 2,264.

LONDON STOCK EXCHANGE DEALINGS

THE INFORMATION shown on this page, which appears every Saturday, is supplied to the Financial Times by the London Stock Exchange.

Stocks shown are selected by the Stock Exchange from among those companies and securities whose prices do not appear in our daily London Share Service.

The Saturday selection changes frequently, according to the volume of trading in individual stocks registered by the Stock Exchange during the week ending on each Thursday. Thus if no dealing takes place in a stock, it will not be included in the following Saturday Dealings page.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

MERCHANT BANKS

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PHARMACEUTICALS

PRINTING, PAPER & PACKAGING

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SPIRITS, WINES & CIDERS - Cont.

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's
TVX Gold	♥	437¼p	+6¼	473p	129½p	682.9	-
Toronto-Dom.		10⅝	—	11¾	7⅞	3,209	3.6
Trans Can Pipe	♥	9⅝	+1/16	11⅞	8⅝	1,731	4.3

SOUTH AFRICANS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£18¾	—	£19½	£7½	1,118	3.7	15.8
Barlow		£4⅞	+⅛	£5⅞	£4	810.0	7.9	7.5
Gold Fields SA R		£13⅞xd	+⅛	£18	£7¼	1,338	2.9	23.3
NK Props.	s	65	—	87	68	3.82	9.3	39.1
SASOL	♥	323	+6	337	215	1,829	4.8	-
SA Brews		£12⅞	+⅛	£15⅞	£7⅞	6,876	2.2	21.0
Tiger Oats		713	—	838	513	1,071	2.3	15.1
Tongaat-Hulett	†	481	-11	522	212	388.0	3.1	13.4

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on EMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, international) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB Unit Trusts (1200)F						
Charlton Pl, Andover, Hants, SP10 1RE 0264 346794						
TSB American	6	229.72	229.72	244.39	-0.45	-
Do Accum	6	233.03	233.03	[illegible]	-0.51	-
TSB Brit Growth	6	100.80	100.80	107.24	-0.83	1.56
Do Accum	6	119.37	119.37	126.99	-1.11	1.56
TSB European	6	113.81	113.81	120.85	-0.24	0.18
Do Accum	6	120.74	120.74	128.44	-0.25	0.18
TSB Extra Income	6	218.03	218.14	232.12	+0.06	2.46
Do Accum	6	358.00	363.82	387.84	+0.09	2.46
TSB Smaller Cos	6	80.87	82.86	88.29	+0.32	0.89
Do Accum	6	89.81	92.23	98.11	+0.34	0.89
TSB General	6	307.52	312.01	331.92	-0.28	1.87
Do Accum	6	619.80	628.84	668.99	-0.57	1.87
TSB Premier Income	5	55.05	56.60	59.01	+0.15	5.49
Do Accum	5	120.74	122.91	128.84	+0.33	5.49
TSB Income	6	377.50	383.11	407.57	-0.45	2.77
Do Accum	6	799.45	811.37	863.18	-0.96	2.77
TSB Pacific	6	457.38	457.38	486.45	-1.25	-
Do Accum	6	480.47	480.47	511.14	-1.31	-
TSB International	6	583.39	583.39	620.62	+0.84	0.09
Do Accum	6	765.66	765.66	814.63	+0.92	0.09
TSB Nat Resources	6	170.23	181.65	193.25	-0.61	0.04
Do Accum	6	198.70	199.38	212.89	-0.62	0.04
TSB Yield Opps	6	118.55	121.84	129.39	-0.25	0.78
Do Accum	6	150.86	152.37	163.16	-0.32	0.78
Environmental Inv	6	67.62	68.46	72.83	+0.64	1.33
Do Accum	6	73.53	74.32	78.98	+0.70	1.33
TSB Selector	6	69.37	70.50	75.00	-0.63	1.90
Do Accum	6	77.08	78.35	83.35	-0.62	1.90
TSB High Income	6	70.97	71.61	76.30	—	4.00
Do Accum	6	86.35	87.37	92.96	—	4.00
TSB Intl Income	6	83.58	84.03	89.17	+0.04	4.51
Do Accum	6	74.85	75.50	80.32	+0.05	4.51
TSB Selector Income	6	67.42	68.16	72.51	+0.03	4.58
Do Accum	6	76.61	77.46	82.30	+0.03	4.58
T.U. Fund Managers Limited (1200)H						
MLA Tower, Addiscombe Road, Croydon 081-686 4355						
T.U. British	5	356.8	361.0	379.8	-0.3	2.35
T.U. European		54.89	54.89	57.57	-0.21	2.00
Templeton Unit Trust Managers Ltd (1200)F						
20 Castle Terrace, Edinburgh EH1 2EH 031-469 4000						
Global Growth Acc	6	233.03	233.55	248.78	+0.43	1.44
Global Growth Inc	6	211.37	211.84	225.56	+0.38	1.44
Global Balanced Acc	6	208.15	208.47	220.82	+0.34	2.49
Global Balanced Inc	6	180.66	180.94	192.87	+0.28	2.49

OTHER UK UNIT TRUSTS

INSURANCES

	Bid Price	Offer Price	+ or -	Yield Gross
AXA Equity & Law Life Assce				
Amersham Road, High Wycombe 0494 463463				
UK Equities Ser 5	988.5	1040.5	-0.9	-
Higher Income Ser 5	1070.3	1126.5	+0.2	-
Property Ser 5	525.4	553.0	—	-
Fixed Interest Ser 5	424.0	446.3	+1.1	-
Index Lnkd Secs Ser 5	188.5	198.3	+0.2	-
Gtd Deposit Ser 5	289.5	304.7	—	-
Nth America Ser 5	437.1	460.1	+0.7	-
Far East Ser 5	588.9	619.9	—	-
Europe Ser 5	372.5	392.1	+0.5	-
International Ser 5	574.2	604.4	+0.4	-
Balanced Ser 5	711.6	749.0	—	-
Reserve Ser 5	149.2	157.0	—	-
Opportunity Ser 5	165.3	174.0	-0.2	-
Distribution Ser 5	106.4	111.9	-2.7	6.43
Pens Equity Ser 3 (z)	1402.2	1476.9	+15.8	-
Pens Higher Inc S 3 (z)	338.3	356.1	+3.8	-
Pens Fixed Int S 3 (z)	569.1	599.0	+0.9	-
Pens Index-Linked Ser 3 (z)	241.9	254.6	-0.9	-
Pens Property S 3 (z)	490.3	516.1	+1.3	-
Pens N America S 3 (z)	192.8	202.9	+1.0	-
Pens Far East S 3 (z)	341.8	359.7	-3.5	-
Pens Europe S 3 (z)	209.4	220.4	+1.5	-
Pens Overseas S 3 (z)	868.4	914.1	+0.3	-
Pens Balanced S 3 (z)	829.5	873.1	+5.6	-
Pens Cash S 3 (z)	421.2	443.3	+0.4	-
Pens DAF Series 3 (z)	235.6	247.9	+0.2	-
Pens DAF Series 1 (z)	457.4	481.5	+0.5	-
Pens Opportunity S 3 (z)	180.1	189.5	+1.5	-
Pens Reserve S 3 (z)	172.5	181.5	+0.3	-
Abbey Life Assurance Co Ltd				
80 Holdenhurst Road, Bournemouth 0202 292373				
Prop. Ser. 1	273.5	287.7	—	-
Equity Ser. 1	181.9	191.4	—	-
Prop. Acc. Ser 2	499.1	525.4	+0.1	-
Equity Ser 2	235.9	248.4	—	-
Selective Acc. Ser 2	497.2	523.4	-0.10	-

Britannia Life Assurance

Crown Financial Management Ltd - Contd.

Hearts of Oak Insurance Group - Contd.

Lincoln National

NM Life Assurance Ltd

Providence Capitol Life Assc. Co Ltd - Contd.

FT MANAGED FUNDS SERVICE

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Royal Liver Assurance
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity	82.7	87.0	—	-
Global Equity	62.1	65.4	—	-
High Yield	78.5	83.7	—	-
Intl Equity	88.5	93.2	—	-
Fixed Interest	80.9	85.2	—	-
Money	78.2	80.2	—	-
Managed	84.1	88.6	—	-
Pensions				
UK Equity	90.3	95.0	—	-
Global Equity	88.4	89.9	—	-
High Yield	92.8	97.73	—	-
Intl Equity	99.38	104.6	—	-
Fixed Interest	97.60	102.7	—	-
Money	84.3	90.3	—	-
Managed	94.0	99.9	—	-
Tax Exempt				
Tax Exempt Mgd	71.0	74.7	—	-

S-E-Banken Life Assurance Co Ltd
140-151 High Rd, Chadwell Hth RM6 6PJ 081-597 7566

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	162.2	170.8	+0.4	-
Pension Mngd Fd	183.6	193.3	+0.7	-

Save & Prosper Group (z)
16-22 Western Rd, Romford RM1 3LB 0708-766966

	Bid Price	Offer Price	+ or -	Yield Gross
Bal Inv Fd	789.4	835.4	+1.9	2.10
Cowerdale AG Bond Fd	169.0	177.8	+0.6	-
Deposit Fd†	360.4	381.4		5.77
Directors' Portfolio	88.2	93.4	+0.8	-
Equity Pens Fd	201.6	213.4	+0.7	-
European Mngd Fd	70.0	74.1	+0.1	-

Skandia Life Assurance Co Ltd - Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Fleming Managed Inv Tst	145.3	152.9	+0.2	-
F & C Investment Trust	180.3	189.2	+2.3	-
Framlington Managed	247.3	260.3	+0.9	-
Gartmore Managed	277.1	291.6	+1.2	-
Henderson Managed	277.4	292.0	+1.1	-
Hill Samuel Managed	241.3	254.0	+1.3	-
Invesco Managed	209.9	220.9	+1.0	-
James Capel Core Mngd	146.7	154.4	+0.3	-
Kleinwort Benson Mngd	145.8	153.4	+0.3	-
Martin Currie Mngd	163.6	172.2	—	-
Morgan Grenfell Mngd	166.5	175.2	+0.7	-
Murray Johnstone Managed	167.6	166.1	-0.5	-
Perpetual Managed	231.2	243.3	+0.6	-
Schroder Managed	144.0	151.5	+0.4	-
Pension Managed Funds				
Skandia Cautious	162.9	171.4	+0.6	-
Skandia Balanced	621.2	653.8	+2.5	-
Skandia Ethical Selection	142.1	149.5	-0.2	-
Skandia Deposit	448.4	471.9	+0.1	-
Abtrust Managed	150.0	157.8	+0.4	-
Baring Managed	171.5	180.5	+0.4	-
BZW Managed	136.4	142.5	+0.6	-
CU Managed	308.2	324.4	+1.9	-
Fidelity Managed	247.1	260.1	+0.5	-
Fleming Managed Inv Tst	167.2	175.9	+0.4	-
F & C Investment Trust	218.9	228.3	+3.1	-
Framlington Managed	385.8	405.8	+7.7	-
Gartmore Managed	416.6	438.5	+2.1	-
Henderson Managed	371.5	391.0	+1.8	-
Hill Samuel Managed	317.3	334.0	+2.6	-
Invesco Managed	296.3	311.8	+1.8	-
James Capel Core Mngd	166.4	175.1	+0.5	-

Templeton Life Assurance Limited
80 Union Street, Oldham OL1 1DT 061-624 7259

	Bid Price	Offer Price	+ or -	Yield Gross
Global Growth	202.90	215.87	—	-
Global Enterprise	211.87	225.40	—	-
Global Managed	192.08	204.39	—	-
Global Fixed Interest	149.47	158.77	—	-
Sterling Haven	122.99	130.86	—	-
Plan 2000 (Time)	210.62	218.82	—	-
Tax Exempt (Time)	125.65	129.41	—	-
Global Growth (Pen)	239.12	251.20	—	-
Global Enterprise (Pen)	234.36	249.32	—	-
Global Managed (Pen)	224.82	239.18	—	-
Global Fixed Int (Pen)	159.54	169.80	—	-
Sterling Haven (Pen)	133.11	141.62	—	-

Tunbridge Wells Equitable
Abbey Court, Tunbridge Wells 0892 515353
Assurances & Pensions

	Bid Price	Offer Price	+ or -	Yield Gross
Capital & Income	492.00	520.00	—	-
CSI Regular	99.80	105.10	—	-
CSI Exempt	119.40	125.70	—	-
Prize Plan Exempt	324.40		—	-
Do. Taxable	254.40		—	-
Beehive Bond Exempt	128.30		—	-
Do. Standard	109.60		—	-
Dominion Growth Exempt	185.00		—	-
Dominion Growth	114.70		—	-
Pens Managed Ordinary	198.70	209.20	—	-
Pens Deposit Ordinary	180.20	189.70	—	-
Wessex Funds				
Life Assurance	879.20	905.40	—	-
Savings Narrow	800.40	515.60	—	-
Savings Wide	871.10	898.60	—	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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Fleming Group

	Bid Price	Offer Price	+ or -	Yield Gross
Robert Fleming Management (Jersey) Ltd				
Czech & Slovak NAV Jan 31	$12.15		—	-
Deutschland NAV Jan 31	DM17.05		—	-
Foreign & Colonial Mngmt (Jersey) Ltd				
Hypo Foreign & Colonial Reserve Asset Fd Ltd				
US$ Cash	$11.207		-0.001	-
Sterling Cash	£18.380		+0.004	-
US$ Bonds	$17.053		+0.018	-
Multicurrency Bonds	$22.808		+0.021	-
Sterling Bonds	£17.527		+0.031	-
D Mark Bonds	DM12.884		+0.018	-
European Bonds	Ecu14.547		+0.026	-
UK Equities	£14.388		+0.081	-
US Equities	$18.850		-0.058	-
Japanese Equities	Y826.8		-9.4	-
Cont Euro Equities	DM21.024		+0.323	-
UK Negative Equities	£10.311		-0.059	-
US Negative Eq	$9.980		-0.020	-
Japanese Negative Eq	Y846.9		+7.2	-
Cont Eur Negative Eqt				-
UK Geared Equities	£11.181		+0.172	-
US Geared Equities	$11.367		+0.045	-
Japanese Geared Eqs	Y918.1		-18.7	-
Cont Euro Geared Eqs	DM18.764		+0.489	-
Gold	$11.184		+0.025	-
Protected Capital Plan A	£11.369		-0.054	-
Protected Capital Plan B	£11.194		-0.178	-
Greece Fund Ltd				
NAV Feb 10	$23.42		—	-
John Govett Management (Jersey) Ltd				
Spain Fd NAV Feb 8	$24.4906		—	-
Paragon Fd NAV Dec 31	$10.45		—	-
Paragon Redemption	$10.12		—	-
Hungarian Inv Co Dec 31	$85.49		—	-
Dollar Global Managed Hedge	$11.5828	12.37	—	-
Dir Geared Curr NAV Feb 11	$78.3		—	-
Dir Geared Bd Feb 11	$7.88		—	-
Govett India Fund	$12.04	12.49	—	-
Yen Intl-Protected Inv Pfolio	£10.6471	11.2380	—	-
Sterling Balanced Hedge	£10.5301	11.16	—	-
Swiss Franc Balanced Hedge	SFr10.4807	11.17	—	-
Govett Mngd Fins Feb 11	£13.49	14.76	—	-
Govett Mngd Fins Feb 11	$9.49	10.38	—	-
Telecom Capital	$9.46	10.04	—	-

INVESCO International Limited

All Funds deal daily except where indicated.

Sterling Denominated Income Funds

Commercial Union Luxembourg SA - Contd.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Reserve Funds						
Dollar Reserve Acc	$-		10.7570	[illegible]	—	1.42
Dollar Reserve Dir	$-		[illegible]	[illegible]	—	1.42
Yen Reserve Acc	Y-		1057	1082	—	1.88
Yen Reserve Div	Y-		981xd	1001	—	1.88
D'mark Reserve Acc	DM-		12.0833	[illegible]	—	5.16
D'mark Reserve Div	DM-		9.0588	[illegible]	—	5.16
Stg Reserve Acc	£-		1.3836	1.4077	—	4.52
Stg Reserve Div	£-		[illegible]	1.0665	—	4.52
Bond Funds						
D'mark Bond Acc	DM-		58.3228	[illegible]	-0.03	5.18
Peseta Bond Acc	Pts-		319	322	-1.00	8.27
Peseta Bond Div	Pts-		217xd	219	-1.00	8.27
Sterling Bond Acc	£-		175.2445	[illegible]	+0.81	6.19
US $ Bond Acc	$-		150.1134	[illegible]	-0.08	7.98
Worldwide Bond Acc	SFr-		75.7358	[illegible]	-0.24	5.37

Crossvale Group (u)

11 Rue Aldringen, L-1118 Luxembourg 071-357 8400

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Managed Convertible (z)	$-		2.34			-
Equity Warrt (Japan) (z)	$-		1.71		-0.02	-
Hedge Fund	$-		19.58		—	-
Hedge Fund US$ II	$-		19.59		—	-
Hedge (II)	$-		98.34		—	-

DB Investment Management SA

2 Boulevard Konrad Adenauer, Lux 010 352 421011

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Eurorenta	DM-		88.10	90.74	—	-
Dollarrenta	$-		67.24	68.97	—	-
DM Reserve	DM-		160.05	161.65	—	-

Den norske Bank

2 boulevard Royal, Lux 010 352 4590 3271

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
DnB Inv Nordic Bds Cap	NKr-		[illegible]		[illegible]	-
DnB Inv Nordic Eq Cap	NKr-		[illegible]		[illegible]	-

Disa Income Fund

68 Blvd Petrusse, L 2320, Luxembourg (352) 407330

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
DISA Income	R-		46.02		—	[illegible]

Dolphin Intl Investments (u) SICAV

14 rue Aldringen, L-1118 Luxembourg 0534 27391

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cont Capital Builder	£-		1.3775		—	-
Intl Growth & Income	$-		5.5107		—	-
International Bond	$-		5.4094		—	-

Dresdnerbank Asset Mngmt SA (u)

13 Rue Beaumont, L-1219 Luxembourg

CURRENCIES AND MONEY

MARKETS REPORT

Buba eases policy

The Bundesbank yesterday surprised the market by announcing a 0.5 per cent cut in the discount rate, confirming the outlook of lower interest rates in Europe, *writes Philip Gawith.*

Although initially received with euphoria, the market later took a more cautious stance with the manner of the rate move raising the prospect of a fairly slow fall in rates. Although the Bundesbank cut its discount rate to 5.25 per cent, it left its key repo rate unchanged at 6 per cent.

The effect of this is to improve the climate in Europe for the easing of monetary policy, without offering much indication as to the pace at which this will take place.

The German example was followed by the Dutch and Belgian central banks which both eased policy without making substantial cuts in rates.

The D-Mark weakened across the board in Europe. It closed in London at FFr3.394 compared to FFr3.407 on Wednesday, and at L968.7 against the Lira from L974.1. Sterling finished in London nearly a pfennig higher at DM2.5559 from DM2.5471.

The dollar was relatively unaffected yesterday by the German rate cut and the release of a raft of promising economic data. It closed in London at DM1.734, a pfennig up on Wednesday's close of DM1.7219. It was also firmer against the yen finishing at Y104.325, up from Y103.550.

■ Mr Paul Chertkow, head of global currency research at UBS, said the Bundesbank had been afforded a "window of opportunity" to ease policy by good inflation figures and the recent strength of the D-Mark. He argued, however, that the decision had been predicated on a recent "deterioration in atmosphere in bund markets and in European bond markets in general."

Investors were getting restless about the slow pace at which German monetary policy was easing. Many had bought German bunds earlier this year in anticipation of making capital gains as interest rates fell. If this were to translate into large scale selling, the result would be to drive up long-term interest rates, an indicator the Bundesbank watches closely, and jeopardise future investment plans.

Frustration in the bund market was threatening to spread into currencies too. Mr Chertkow said that earlier in the week market movements had resembled those of July last year, with the market being purely technical in orientation and removed from economic fundamentals. He said yesterday's move had probably averted this scenario.

Mr Avinash Persaud, head of currency research at J P Morgan (Europe), said the Bundesbank had wanted to reassure markets that it had not departed from its long-term path of lower rates, despite concerns over the unresolved IG Metall wage dispute and the expectation of poor January money supply figures. He said the effect of cutting the discount rate was to put a floor under the bond markets.

The market's reaction yesterday to the headline announcement - a rate cut - was euphoric. When it later transpired, however, that the repo rate had not been changed, disappointment set in and some of the gains in the bond and futures markets were given back.

In Europe, Belgium cut its equivalent of the repo rate by only 15 basis points, while the Dutch left their repo equivalent - the special advances rate - unchanged, while trimming two other rates. Austria, which is not a member of the ERM, cut its discount and Lombard rates by a quarter percentage point.

The D-Mark maintained its strength fairly well against the dollar although it was weaker against European currencies. Mr Persaud predicted that the dollar was likely to continue trading in a similar range against the D-Mark, especially as weather-affected US data would probably inhibit the Federal Reserve from tightening policy in the near term.

■ US Consumer prices came in better than expected as they were unchanged in January compared with market expectations for a 0.3 per cent increase. The trade figures were also good with the deficit narrowing to $7.41bn in December from $9.68bn in November. The deficit with Japan shrunk by over 7 per cent to $5.302bn.

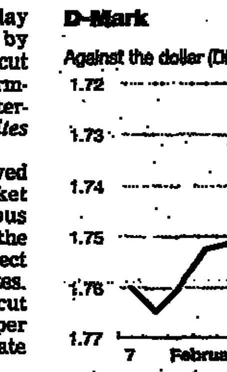
Mr Steve Hannah, chief economist at International Bank of Japan noted, however, that the deficit was still a record size and US politicians would probably use this number to advantage.

Mr Chertkow said the dollar was still being driven by the US-Japan trade dispute and predicted the dollar would remain weak against most currencies until this had resolved itself. He said there was a perception in the US that talking up the dollar was a "free trade" in the sense that it was unlikely to have any serious domestic repercussions.

Clarity about US/Japan relations is likely to come later this month as it is sure to feature high up on the agenda for the G7 meeting on February 26.

■ Conditions in the UK money markets were fairly easy yesterday after the Bank of England removed most of an estimated £2.1bn liquidity shortage in an early round of dealing. The Bank put £1.75bn of liquidity into the market through two repos at the prevailing interest rate of $5\frac{4}{32}$ per cent. The shortage was later revised up to £2.2bn and the Bank put a further £450m into the market.

D-Mark



Source: FT Graphite

■ Pound in New York

Feb 17	—Latest—	— Prev. close —
£ spot	1.4770	1.4770
1 mth	1.4751	1.4751
3 mth	1.4698	1.4715
1 yr	1.4629	1.4621

POUND SPOT FORWARD AGAINST THE POUND

Feb 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.9881	+0.0818	583 - 778	17.8965	17.8810	17.9643	0.3	17.9587	0.2	-	-	112.8
Belgium	(BFr)	52.5776	+0.1085	303 - 249	52.6551	52.3890	52.6476	-1.6	52.7626	-1.4	53.1226	-1.0	113.9
Denmark	(DKr)	9.9460	-0.0307	411 - 508	9.9878	9.9411	9.9542	-1.0	9.9717	-1.0	10.0025	-0.6	114.2
Finland	(FM)	8.1934	-0.0568	832 - 035	8.2660	8.1670	-	-	-	-	-	-	81.9
France	(FFr)	8.6738	-0.0028	671 - 804	8.6958	8.6540	8.6838	-1.4	8.7012	-1.3	8.7357	-0.7	107.6
Germany	(DM)	2.5559	+0.0088	543 - 575	2.5600	2.5432	2.5582	-1.1	2.561	-0.8	2.5637	-0.3	121.7
Greece	(Dr)	369.901	+1.842	407 - 394	370.394	368.087	-	-	-	-	-	-	-
Ireland	(I£)	1.0424	-0.0011	409 - 438	1.0458	1.0391	1.0431	-0.7	1.0444	-0.7	1.0469	-0.6	102.7
Italy	(L)	2475.95	-5.57	437 - 753	2485.74	2473.54	2482.65	-3.2	2497.2	-3.4	2550.1	-3.0	76.5
Luxembourg	(LFr)	52.5776	+0.1085	303 - 249	52.6551	52.3890	52.6476	-1.6	52.7626	-1.4	53.1226	-1.0	113.9
Netherlands	(Fl)	2.8662	+0.0086	645 - 679	2.8718	2.8538	2.8673	-0.5	2.8679	-0.2	2.8631	0.1	117.6
Norway	(NKr)	11.0248	+0.0058	188 - 307	11.0820	10.9999	11.0218	0.3	11.0141	0.4	11.0233	0.0	94.3
Portugal	(Es)	257.730	+0.044	421 - 038	258.580	257.421	258.72	-4.6	260.856	-4.9	-	-	-
Spain	(Pta)	207.798	-0.851	690 - 905	208.805	207.690	208.473	-3.9	209.803	-3.9	213.998	-3.0	84.7
Sweden	(SKr)	11.7670	-0.1103	575 - 765	11.8833	11.7575	11.788	-2.1	11.828	-2.1	11.961	-1.6	76.8
Switzerland	(SFr)	2.1543	+0.0072	528 - 557	2.1572	2.1458	2.1531	0.6	2.1495	0.9	2.1304	1.1	117.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.6
Ecu	-	1.3172	+0.0013	161 - 182	1.3197	1.3138	1.3188	-1.5	1.3215	-1.3	1.3272	-0.8	-
SDR†	-	0.948788	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.4717	-0.0062	711 - 723	1.4777	1.4711	-	-	-	-	-	-	-
Brazil	(Cr)	845.233	+42.636	942 - 523	848.000	799.000	-	-	-	-	-	-	-
Canada	(C$)	1.9762	-0.0227	751 - 772	1.9916	1.9751	1.974	1.3	1.9699	1.3	1.9606	0.8	90.1
Mexico	(New Peso)	4.5768	-0.0171	737 - 798	4.5908	4.5737	-	-	-	-	-	-	-
USA	($)	1.4740	-0.0053	735 - 745	1.4790	1.4727	1.4722	1.5	1.4685	1.5	1.4594	1.0	66.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0600	-0.0183	585 - 614	2.0750	2.0588	2.0585	0.9	2.0561	0.7	2.0542	0.3	-
Hong Kong	(HK$)	11.3992	-0.0458	946 - 038	11.4371	11.3902	11.3775	2.3	11.3432	2.0	11.2431	1.4	-
India	(Rs)	46.2357	-0.1665	163 - 551	46.3890	46.1990	-	-	-	-	-	-	-
Japan	(Y)	153.775	+0.598	686 - 864	153.930	152.580	153.455	2.5	152.71	2.8	149.385	2.9	188.7
Malaysia	(M$)	4.0992	-0.0257	963 - 021	4.1204	4.0938	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5619	-0.0145	595 - 643	2.5704	2.5595	2.5648	-1.4	2.5691	-1.1	2.5777	-0.6	-
Philippines	(Peso)	40.7931	-0.1452	213 - 648	41.2041	39.9365	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5283	-0.0192	261 - 304	5.5463	5.5237	-	-	-	-	-	-	-
Singapore	(S$)	2.3444	-0.0106	429 - 459	2.3526	2.3420	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.0909	-0.008	880 - 937	5.1075	5.0808	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7583	-0.0981	486 - 680	6.8478	6.7486	-	-	-	-	-	-	-
South Korea	(Won)	1194.16	-4.85	368 - 464	1198.88	1193.18	-	-	-	-	-	-	-
Taiwan	(T$)	38.9063	-0.1385	857 - 268	39.0300	38.8800	-	-	-	-	-	-	-
Thailand	(Bt)	37.2922	-0.1181	648 - 196	37.3960	37.2848	-	-	-	-	-	-	-

†SDR rate for Feb.16. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1900	+0.065	875 - 925	12.1925	12.1065	12.209	-1.9	12.245	-1.8	12.315	-1.0	102.6
Belgium	(BFr)	35.6700	+0.2	500 - 900	35.6940	35.5000	35.76	-3.0	35.93	-2.9	36.4	-2.0	103.7
Denmark	(DKr)	6.7478	+0.0032	486 - 486	6.7647	6.7385	6.7673	-3.5	6.8061	-3.5	6.8701	-1.8	103.0
Finland	(FM)	5.5586	-0.0187	536 - 636	5.5963	5.5265	5.5651	-1.4	5.5756	-1.2	5.6096	-0.9	76.4
France	(FFr)	5.8845	+0.019	820 - 870	5.8945	5.8640	5.8984	-2.8	5.9255	-2.8	5.9856	-1.7	104.0
Germany	(D)	1.7340	+0.0121	335 - 345	1.7347	1.7220	1.7376	-2.5	1.7441	-2.3	1.7566	-1.3	103.8
Greece	(Dr)	250.950	+2	700 - 200	251.200	249.600	254.325	-16.1	260.95	-15.8	290.2	-15.6	71.1
Ireland	(I£)	1.4141	-0.0035	126 - 156	1.4197	1.4120	1.4111	2.5	1.4054	2.5	1.3864	1.8	-
Italy	(L)	1679.75	+2.2	925 - 025	1685.25	1675.73	1686.35	-4.7	1700.55	-5.0	1747.25	-4.0	76.9
Luxembourg	(LFr)	35.6700	+0.2	500 - 900	35.6940	35.5000	35.76	-3.0	35.93	-2.9	36.4	-2.0	103.7
Netherlands	(Fl)	1.9445	+0.0127	440 - 450	1.9470	1.9331	1.9476	-1.9	1.953	-1.8	1.9617	-0.9	103.3
Norway	(NKr)	7.4795	+0.0305	780 - 810	7.5007	7.4476	7.4922	-2.0	7.5152	-1.9	7.557	-1.0	94.7
Portugal	(Es)	174.850	+0.65	700 - 000	175.000	174.450	175.745	-6.1	177.61	-6.3	184.075	-5.3	94.1
Spain	(Pta)	140.975	-0.075	950 - 000	141.500	140.720	141.605	-5.4	142.87	-5.4	146.625	-4.0	80.0
Sweden	(SKr)	7.9831	-0.0462	793 - 868	8.0535	7.9597	8.0101	-4.1	8.0616	-3.9	8.2081	-2.8	81.3
Switzerland	(SFr)	1.4615	+0.01	610 - 620	1.4630	1.4530	1.4625	-0.8	1.4638	-0.6	1.4597	0.1	104.1
UK	(£)	1.4740	-0.0053	735 - 745	1.4790	1.4727	1.4722	1.5	1.4685	1.5	1.4594	1.0	89.3
Ecu	-	1.1191	-0.0051	186 - 196	1.1229	1.1163	1.1164	2.9	1.1112	2.8	1.0998	1.7	-
SDR	-	1.39708	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9985	-0.0006	984 - 985	0.9989	0.9983	-	-	-	-	-	-	-
Brazil	(Cr)	573.428	+30.858	425 - 430	573.435	573.425	-	-	-	-	-	-	-
Canada	(C$)	1.3407	-0.0106	404 - 409	1.3495	1.3404	1.341	-0.3	1.3418	-0.3	1.3445	-0.3	85.6
Mexico	(New Peso)	3.1050	-0.0005	040 - 060	3.1065	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3975	-0.0075	970 - 980	1.4045	1.3970	1.3985	-0.9	1.4014	-1.1	1.4089	-0.8	87.4
Hong Kong	(HK$)	7.7335	-0.0035	330 - 340	7.7374	7.7330	7.735	-0.2	7.7375	-0.2	7.7485	-0.2	-
India	(Rs)	31.3675	-0.0013	650 - 700	31.3700	31.3650	31.4325	-2.5	31.5675	-2.6	-	-	-
Japan	(Y)	104.325	+0.775	300 - 350	104.350	103.300	104.24	1.0	103.995	1.3	102.36	1.9	149.2
Malaysia	(M$)	2.7810	-0.0075	800 - 820	2.7910	2.7760	2.7745	2.8	2.7735	1.1	2.796	-0.5	-
New Zealand	(NZ$)	1.7381	-0.0036	370 - 391	1.7400	1.7370	1.7397	-1.1	1.7442	-1.4	1.7584	-1.2	-
Philippines	(Peso)	27.6750	-	000 - 500	27.8500	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	+0.0003	503 - 507	3.7507	3.7503	3.7529	-0.8	3.7572	-0.7	3.776	-0.7	-
Singapore	(S$)	1.5905	-0.0015	900 - 910	1.5935	1.5848	1.5894	0.9	1.5872	0.8	1.5995	-0.6	-
S Africa (Com.)	(R)	3.4538	+0.0068	530 - 545	3.4555	3.4415	3.4708	-5.9	3.4998	-5.3	3.6073	-4.4	-
S Africa (Fin.)	(R)	4.5850	-0.05	800 - 900	4.6050	4.5750	4.616	-8.1	4.675	-7.9	-	-	-
South Korea	(Won)	810.150	-0.4	100 - 200	810.700	810.100	813.15	-4.4	818.65	-3.2	835.15	-3.1	-
Taiwan	(T$)	26.3950	-	900 - 000	26.4000	26.3800	26.4975	-4.7	26.645	-3.8	-	-	-
Thailand	(Bt)	25.3000	+0.01	900 - 100	25.3100	25.2800	25.37	-3.3	25.51	-3.3	25.85	-1.4	-

†SDR rate for Feb.16. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.14. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.92	16.50	4.861	1.982	4709	5.451	20.96	490.1	395.2	22.38	4.097	1.902	3.758	2.803	292.5	2.505
Denmark	(DKr)	52.87	10	8.721	2.570	1.048	2489	2.882	11.08	259.1	208.9	11.83	2.166	1.005	1.987	1.482	154.6	1.324
France	(FFr)	60.62	11.47	10	2.947	1.201	2855	3.304	12.70	297.1	239.6	13.57	2.483	1.153	2.278	1.699	177.3	1.518
Germany	(DM)	20.57	3.891	3.394	1	0.408	968.7	1.121	4.311	100.8	81.30	4.605	0.843	0.391	0.773	0.577	60.17	0.515
Ireland	(I£)	50.46	9.545	8.324	2.453	1	2376	2.750	10.56	247.3	199.4	11.30	2.067	0.960	1.896	1.415	147.6	1.264
Italy	(L)	2.124	0.402	0.350	0.103	0.042	100.	0.116	0.445	10.41	8.393	0.475	0.087	0.040	0.080	0.060	6.212	0.053
Netherlands	(Fl)	18.35	3.470	3.027	0.892	0.364	863.9	1	3.845	89.92	72.51	4.107	0.752	0.349	0.689	0.514	53.66	0.460
Norway	(NKr)	47.71	9.025	7.871	2.319	0.946	2247	2.601	10	233.8	188.6	10.68	1.955	0.907	1.793	1.338	139.6	1.195
Portugal	(Es)	20.40	3.860	3.366	0.992	0.404	960.8	1.112	4.276	100.	80.64	4.567	0.836	0.388	0.767	0.572	59.68	0.511
Spain	(Pta)	25.30	4.786	4.174	1.230	0.501	1192	1.379	5.303	124.0	100.	5.664	1.037	0.481	0.951	0.709	74.01	0.634
Sweden	(SKr)	44.67	8.450	7.370	2.172	0.885	2104	2.435	9.363	218.9	176.6	10	1.830	0.850	1.679	1.252	130.7	1.119
Switzerland	(SFr)	24.41	4.617	4.027	1.187	0.484	1149	1.331	5.116	119.6	96.47	5.464	1	0.464	0.917	0.684	71.40	0.611
UK	(£)	52.58	9.946	8.674	2.556	1.042	2476	2.866	11.02	257.7	207.8	11.77	2.154	1	1.976	1.474	153.8	1.317
Canada	(C$)	26.61	5.033	4.390	1.294	0.527	1253	1.450	5.577	130.4	105.2	5.956	1.090	0.506	1	0.746	77.83	0.666
US	($)	35.67	6.748	5.885	1.734	0.707	1680	1.944	7.476	174.8	141.0	7.985	1.461	0.678	1.341	1	104.3	0.893
Japan	(Y)	341.9	64.67	56.40	16.62	6.775	16098	18.63	71.65	1676	1351	76.53	14.01	6.502	12.85	9.584	1000.	8.563
Ecu		39.92	7.552	6.586	1.941	0.791	1880	2.176	8.368	195.7	157.8	8.937	1.636	0.759	1.500	1.119	116.8	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.5794	0.5765	-0.0025	0.5794	0.5758	51,699	125,531
Jun	0.5745	0.5737	-0.0025	0.5750	0.5732	701	10,354
Sep	-	-	-	-	-	-	-

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.9645	0.9622	-0.0025	0.9680	0.9605	32,979	93,575
Jun	0.9672	0.9647	-0.0034	0.9708	0.9638	699	8,404
Sep	-	-	-	-	-	-	-

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6868	0.6854	-0.0017	0.6882	0.6845	14,201	40,407
Jun	0.6845	0.6848	-0.0015	0.6872	0.6845	404	1,625
Sep	0.6850	0.6855	-0.0017	0.6870	0.6850	3	48

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.4746	1.4758	+0.0016	1.4770	1.4724	15,706	40,094
Jun	1.4700	1.4700	+0.0010	1.4710	1.4680	169	2,540
Sep	-	1.4660	+0.0008	1.4660	-	3	437
Dec	-	1.4640	+0.0010	1.4640	-	1	12

EMS EUROPEAN CURRENCY UNIT RATES

Feb 17	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. Ind.
Ireland	0.808628	0.790579	-0.003186	-2.23	5.01	15
Netherlands	2.19672	2.17463	+0.00237	-1.01	3.71	-
Belgium	40.2123	39.9062	+0.0195	-0.76	3.46	6
Germany	1.94964	1.93857	+0.00212	-0.57	3.26	-
France	6.53883	6.59023	-0.00771	0.79	1.87	-7
Portugal	192.854	195.874	+0.13	1.57	1.09	-11
Denmark	7.43679	7.56820	-0.01856	1.77	0.89	-12
Spain	154.250	158.370	-0.324	2.67	0.00	-19
NON ERM MEMBERS						
Greece	264.513	280.512	+0.823	6.05	-3.18	-
Italy	1793.19	1886.03	-3.03	5.18	-2.38	-
UK	0.786749	0.759149	+0.000268	-3.51	6.40	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Mar	Apr	May	PUTS Mar	Apr	May
1.400	7.46	7.54	7.63	0.04	0.28	0.57
1.425	5.09	5.44	5.72	0.11	0.64	1.10
1.450	2.97	3.62	4.04	0.48	1.31	1.88
1.475	1.41	2.24	2.68	1.37	2.37	2.96
1.500	0.50	1.27	1.73	2.91	3.83	4.45
1.525	0.10	0.65	1.04	5.00	5.70	6.23

Previous day's vol., Calls 12,465 Puts 15,921 . Prev. day's open int., Calls 508,181 Puts 478,530

WORLD INTEREST RATES

MONEY RATES

February 17	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	-	[illegible]	[illegible]	[illegible]	6¼	7.40	5.25	-
week ago	-	[illegible]	[illegible]	[illegible]	6¼	7.40	5.25	-
France	6⅝	[illegible]	[illegible]	6⅝	5⅝	6.20	-	7.75
week ago	6⅝	[illegible]	[illegible]	6⅝	5⅝	6.20	-	7.75
Germany	6.07	6.05	5.85	5.65	5.37	6.75	5.25	6.00
week ago	6.07	6.05	5.85	5.65	5.37	6.75	5.75	6.00
Ireland	[illegible]	5⅞	5⅞	[illegible]	[illegible]	-	-	6.75
week ago	6	5⅞	[illegible]	5⅞	5⅞	-	-	6.75
Italy	9¼	[illegible]	[illegible]	8⅝	8¼	-	8.00	8.92
week ago	9	[illegible]	8⅝	[illegible]	[illegible]	-	8.00	8.92
Netherlands	5.59	5.51	5.31	5.16	5.00	-	5.25	-
week ago	5.61	5.51	5.30	5.10	4.94	-	5.25	-
Switzerland	4¼	4¼	4¼	[illegible]	[illegible]	6.625	4.00	-
week ago	4½	4¼	4¼	[illegible]	4	6.625	4.00	-
US	[illegible]	3⅜	3½	[illegible]	[illegible]	-	3.00	-
week ago	3¼	3⅜	3½	[illegible]	4	-	3.00	-
Japan	[illegible]	[illegible]	[illegible]	2⅛	2⅛	-	1.75	-
week ago	[illegible]	[illegible]	[illegible]	2⅛	2⅛	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	3¾	4⅛	-	-	-
week ago	-	[illegible]	[illegible]	3¾	[illegible]	-	-	-
US Dollar CDs	-	3.25	3.39	3.59	3.91	-	-	-
week ago	-	3.25	3.36	3.55	3.88	-	-	-
SDR Linked Ds	-	3⅛	3¼	3⅜	3⅜	-	-	-
week ago	-	3⅛	3¼	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Feb 17	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	7½ - 7	7½ - 7	7⅛ - 7	[illegible]	[illegible]	[illegible]
D-Mark	6⅛ - 6	[illegible]	6⅛ - 6	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	5⅛ - 5	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	10½ - 10¼	10½ - 10¼	10¼ - 10	[illegible]	10 - 9½	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	4½ - 4⅜	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.25	94.28	+0.03	94.35	94.22	82245	205937
Jun	94.66	94.72	+0.05	94.79	94.64	85708	220423
Sep	94.95	95.01	+0.06	95.09	94.91	41031	166949
Dec	95.11	95.18	+0.06	95.27	95.06	29873	129857

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	91.45	91.67	+0.22	91.72	91.45	9558	40190
Jun	91.98	92.17	+0.21	92.19	91.94	7343	48112
Sep	92.34	92.50	+0.15	92.56	92.29	3292	20923
Dec	92.59	92.72	+0.13	92.78	92.49	3459	16809

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.89	95.92	+0.04	95.95	95.86	10232	35476
Jun	96.19	96.20	+0.03	96.25	96.16	9685	23259
Sep	96.30	96.30	+0.03	96.34	96.28	778	5631
Dec	96.30	96.30	+0.04	96.32	96.27	86	3154

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.68	93.77	+0.07	93.82	93.68	2160	13554
Jun	94.18	94.26	+0.07	94.31	94.18	1289	10264
Sep	94.53	94.58	+0.05	94.62	94.50	1158	9063
Dec	94.74	94.79	+0.05	94.82	94.71	473	6617

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.37	96.39	+0.02	96.40	96.36	18,300	353,616
Jun	96.06	96.09	+0.03	96.11	96.05	40,456	412,819
Sep	95.73	95.77	+0.04	95.79	95.73	30,503	327,291
Dec	95.34	95.38	+0.04	95.42	95.34	24,600	249,796

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	96.68	96.70	+0.02	96.71	96.68	631	14,391
Jun	96.40	96.43	+0.03	96.45	96.40	1,022	21,354
Sep	96.10	96.13	+0.01	96.14	96.10	217	4,855

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

[illegible]

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

Feb 17	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	4¾ - 3½	4¾ - 4⅜	5⅛ - 5	5⅛ - 5	5⅛ - 5	5 3/16 - 5 1/16
Sterling CDs	-	-	5 1/32 - 4 31/32	5 1/16 - 5	5 1/16 - 5	5 1/16 - 5
Treasury Bills	-	-	4 29/32 - 4 27/32	4 15/16 - 4 13/16	-	-
Bank Bills	-	-	4⅞ - 4 27/32	4⅞ - 4 13/16	4⅞ - 4 13/16	-
Local authority deps.	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 5	5⅛ - 5	5⅛ - 5	5⅛ - 5
Discount market deps.	4¾ - 3½	4¾ - 4½	-	-	-	-

UK clearing bank base lending rate 5¼ per cent from February 8, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 4.7108pc. ECGD fixed rate Stlg. Export Finance. Make up day January 31, 1994. Agreed rate for period Feb 26, 1994 to Mar 25, 1994, Schemes II & III 6.70pc. Reference rate for period Jan 1, 1994 to Jan 31, 1994, Schemes IV & V 5.434pc. Finance House Base Rate 5½pc from Feb 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.84	94.84	+0.03	94.85	94.83	17110	92204
Jun	94.99	94.96	-	95.01	94.95	15806	107837
Sep	94.96	94.94	-	94.98	94.93	6235	67947
Dec	94.89	94.87	-	94.93	94.86	6707	95374

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	Jun	Sep	PUTS Mar	Jun	Sep
9475	0.11	0.27	0.33	0.02	0.08	0.14
9500	0.02	0.11	0.19	0.16	0.15	0.25
9525	0	0.04	0.09	0.41	0.33	0.40

Est. vol. total, Calls 5895 Puts 2407. Previous day's open int., Calls 166501 Puts 146346

BASE LENDING RATES

	%
Adam & Company	5.25
Allied Trust Bank	5.25
AIB Bank	5.25
●Henry Ansbacher	5.25
Bank of Baroda	5.25
Banco Bilbao Vizcaya	5.25
Bank of Cyprus	5.5
Bank of Ireland	5.25
Bank of India	5.25
Duncan Lawrie	5.25
Exeter Bank Limited	6.5
Financial & Gen Bank	6
●Robert Fleming & Co	5.25
Girobank	5.25
●Guinness Mahon	5.25
Habib Bank AG Zurich	5.25
●Hambros Bank	5.25
* Roxburghe Bank Ltd is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.25
●Smith & Williamson Secs	5.25
Standard Chartered	5.25
TSB	5.25
●United Bk of Kuwait	5.25

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 17 / Sch)

BELGIUM/LUXEMBOURG (Feb 17 / Frs.)

DENMARK (Feb 17 / Kr)

FINLAND (Feb 17 / Mka)

FRANCE (Feb 17 / Frs.)

GERMANY (Feb 17 / Dm.)

ITALY (Feb 17 / Lira)

NETHERLANDS (Feb 17 / Fls.)

NORWAY (Feb 17 / Kroner)

SPAIN (Feb 17 / Pts.)

SWEDEN (Feb 17 / Kronor)

SWITZERLAND (Feb 17 / Frs.)

PACIFIC

JAPAN (Feb 17 / Yen)

HONG KONG (Feb 17 / H.K.$)

MALAYSIA (Feb 17 / MYR)

SINGAPORE (Feb 17 / S$)

AUSTRALIA (Feb 17 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Feb 17 / Can $)
4 pm close

MONTREAL (Feb 17 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Feb 17 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Thursday, February 17, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nitsuko	7.0m	1,280	-180	Nippon Steel	3.6m	331	
Osaka Gas	4.7m	498	-3	Chugoku Marine	3.3m	650	-5
Hitachi	4.0m	884	+9	Fujitsu	3.3m	980	-11
Toko	3.7m	749	-11	Gunma Bank	3.2m	1,060	
Shindengen Elec	3.7m	1,060	-60	Matsushita El Ind	3.1m	1,680	+10

INDICES

	Feb 17	Feb 16	Feb 15	1993/4 High		1993/4 Low	
Argentina							
General (29/12/77)	(u)	25470.4	24490.7	25470.40	16/2/94	12167.86	8/3/93
Australia							
All Ordinaries(1/1/80)	2240.9	2249.0	2234.0	2340.80	3/2/94	1495.00	13/1/93
All Mining(1/1/80)	1063.2	1061.4	1046.7	1136.10	3/2/94	594.70	13/1/93
Austria							
Credit Aktien(30/12/84)	451.71	453.32	450.15	480.88	2/2/94	300.29	14/1/93
Traded Index(2/1/91)	1177.94	1184.11	1174.43	1222.25	1/2/94	712.08	15/1/93
Belgium							
BEL20 (1/1/91)	1526.48	1522.68	1523.17	1542.65	9/2/94	1125.46	4/1/93
Brazil							
Bovespa (29/12/83)	(u)	(c)	(c)	10354.00	11/2/94	71.47	4/1/93
Canada							
Metals Minls♦(1975)	(u)	3652.85	3632.31	3824.93	1/2/94	2743.31	21/1/93
Composite♦ (1975)	(u)	4424.10	4414.40	4591.30	1/2/94	3275.80	21/1/93
Portfolio§§ (4/1/83)	(u)	2084.13	2077.78	2182.89	1/2/94	1720.97	21/1/93
Chile							
IPGA Gen (31/12/80)	(u)	4674.4	4652.2	4887.80	4/2/94	2812.59	10/5/93
Denmark							
CopenhagenSE(3/1/83)	405.70	405.93	406.00	415.79	2/2/94	261.90	4/1/93
Finland							
HEX General(28/12/90)	1942.6	1923.9	1902.2	1972.00	4/2/94	843.19	22/1/93
France							
SBF 250 (31/12/90)	1534.28	1527.44	1522.18	1585.28	2/2/94	1114.19	28/1/93
CAC 40(31/12/87)	2281.18	2264.32	2257.87	2355.93	2/2/94	1772.21	29/1/93
Germany							
FAZ Aktien(31/12/58)	819.31	818.15	809.38	856.67	4/1/94	598.82	14/1/93
Commerzbank(1/12/53)	2339.4	2336.2	2312.8	2450.00	4/1/94	1694.30	14/1/93
DAX (30/12/87)‡	2128.72	2136.61	2115.62	2267.98	3/1/94	1516.50	13/1/93
Greece							
Athens SE(31/12/80)	1030.41	1031.35	1008.72	1194.58	18/1/94	887.72	5/1/93
Hong Kong							
Hang Seng(31/7/64)	10786.56	10634.14	11012.33	12201.09	4/1/94	5437.80	4/1/93
India							
BSE Sens.(1979)	3867.3	3807.4	3900.1	4182.00	8/2/94	2100.67	23/4/93
Indonesia							
Jakarta Comp.(10/8/82)	584.69	574.82	582.71	612.89	5/1/94	273.31	6/1/93
Ireland							
ISEQ Overall(4/1/88)	2000.56	1994.08	1982.13	2082.16	20/1/94	1191.19	11/1/93
Italy							
Banca Comm Ital (1972)	682.79	669.52	676.24	693.43	14/2/94	446.93	8/1/93
MIB General (4/1/94)	1092.0	1071.0	1083.0	1094.00	14/2/94	944.00	10/1/94
Japan							
Nikkei 225 (16/5/49)	18931.39	19052.11	18974.60	21148.11	13/9/93	16078.71	29/11/93
Nikkei 300 (1/10/82)	286.42	287.65	287.70	306.84	10/11/93	249.64	29/11/93
Topix (4/1/68)	1553.55	1559.10	1555.34	1698.67	3/9/93	1250.06	25/1/93
2nd Section (4/1/68)	2120.56	2119.77	2103.46	2384.87	7/6/93	1651.72	26/1/93
Malaysia							
KLSE Comp.(4/4/86)	1072.14	1081.13	1087.21	1314.46	5/1/94	614.29	13/1/93
Mexico							
IPC (Nov 1978)	(u)	2780.23	2760.59	2881.17	8/2/94	1604.15	25/2/93
Netherland							
CBS TtlRtnGen(End 83)	450.6	448.6	448.8	464.90	31/1/94	295.70	4/1/93
CBS All Shr (End 83)	292.0	290.7	289.6	294.80	31/1/94	198.80	13/1/93
New Zealand							
Cap. 40 (1/7/86)	2324.91	2311.92	2319.93	2439.64	3/2/94	1495.37	21/1/93
Norway							
Oslo SE(Ind)(2/1/83)	1193.30	1186.18	1167.66	1294.17	4/2/94	689.93	27/1/93
Philippines							
Manila Comp (2/1/85)	3036.74	3034.97	3012.55	3308.37	4/1/94	1270.88	4/1/93
Portugal							
BTA (1977)	3215.8	3171.7	(u)	3215.80	17/2/94	1698.20	14/1/93
Singapore							
SES All-S'pore(2/4/75)	599.47	600.06	599.01	641.61	4/1/94	394.10	13/1/93
South Africa							
JSE Gold (28/9/78)	1981.0♥	1874.0	1837.0	2331.00	4/1/94	775.00	5/1/93
JSE Ind. (28/9/78)	5675.0♥	5581.0	5590.0	5822.00	4/2/94	4333.00	19/4/93
South Korea							
KoreaCompEx(4/1/80)~	920.38	920.43	901.81	974.28	2/2/94	605.93	6/3/93
Spain							
Madrid SE (30/12/85)	347.98	346.07	346.69	359.31	31/1/94	215.80	4/1/93
Sweden							
AffarsvarldenGen (1/2/37)	1589.0	1557.60	1534.20	1603.80	31/1/94	879.10	28/1/93
Switzerland							
Swiss Bk Ind (31/12/58)	1374.85	1361.83	1347.51	1423.34	31/1/94	904.80	11/1/93
SBC General (1/4/87)	1060.51	1048.77	1036.84	1099.29	31/1/94	678.70	11/1/93
Taiwan							
WeightedPr.(30/6/66)~	5905.49	5862.63	5985.01	6454.52	6/1/94	3098.43	9/1/93
Thailand							
Bangkok SET (30/4/75)	1445.20	1428.11	1413.97	1753.73	4/1/94	818.94	1/6/93
Turkey							
Istanbul Comp.(Jan 1986)	19131.0	17681.3	18433.4	20683.80	13/1/94	3955.53	1/1/93
WORLD							
MS Capital Int (1/1/70)$	626.5*	625.9	625.3	641.90	1/2/94	488.60	13/1/93
CROSS-BORDER							
Eurotrack 100(26/10/90)	1516.65	1491.80	1492.85	1540.19	31/1/94	1063.02	13/1/93
Euro Top-100 (26/6/90)	1287.04	1273.73	1283.23	1311.01	2/2/94	982.73	13/1/93
JCapitDrgs (31/12/88)	(u)	344.37	351.93	365.19	5/1/94	188.92	4/1/93
Barings Emerg.(7/1/92)	181.87	182.29	182.06	182.72	14/2/94	99.81	4/2/93

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2270.0	2292.0	+19.0	2317.0	2248.0	32,600	16,723
Mar	2281.0	2302.0	+18.0	2328.0	2280.5	2,638	49,058
Apr	2273.5	2313.5	+18.0	2273.5	2272.5	600	550

Open interest figures for previous day.

– Sat Feb 12: Taiwan Weighted Price (c) ; Korea Comp Ex 917.15. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall: Toronto Comp./Metals & Mining – 500; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Feb 17 - 2162.29 +27.04.

US INDICES

Dow Jones	Feb 16	Feb 15	Feb 14	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3937.27	3928.27	3904.08	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.91	104.80	104.73	109.77 (18/10/93)	103.49 (11/1/93)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1801.80	1802.04	1803.58	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	212.76	215.46	216.39	256.46 (31/8/93)	212.76 (16/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3964.85 (3950.50) Low 3906.32 (3891.40) (Theoretical♦)
Day's high 3949.65 (3930.80) Low 3927.14 (3904.08) (Actual♦)

Standard and Poors	Feb 16	Feb 15	Feb 14	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	472.79	472.52	470.23	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	553.69	552.67	549.47	559.59 (2/2/94)	496.49 (25/4/93)	559.59 (2/2/94)	3.62 (21/6/32)
Financial	44.53	44.54	44.39	48.40 (28/9/93)	39.89 (8/1/93)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	262.55	262.36	261.26	267.71 (2/2/94)	238.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	475.32	474.84	474.91	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	792.62	790.12	785.45	808.47 (31/1/94)	645.87 (26/4/93)	808.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 11	Feb 4	Jan 28	Year ago
Dow Jones Ind. Div. Yield	2.68	2.62	2.57	3.00
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.35	2.32	2.55
S & P Ind. P/E ratio	26.18	26.07	26.51	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	474.95	474.95	+1.80	475.30	472.50	51,298	180,705
Jun	476.00	476.20	+1.75	476.50	476.00	1,254	7,452
Sep	-	477.70	+1.15	478.15	-	451	1,279

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
RJR Nabisco	4,808,000	7½	---
Telefonica	4,150,000	43¾	-⅛
Merck	3,526,800	33¾	-¼
Sears Roe	3,281,400	48⅞	-½
Boeing	3,270,400	46⅝	+2⅛
Zenith	3,248,500	10⅝	+1⅛
Keycorp	2,775,400	35	-⅛
Columbia	2,688,800	40⅞	+⅛
Hewlett-Pack	2,639,300	89⅝	+3⅝
Blockbuster	2,515,400	24½	-⅛

■ TRADING ACTIVITY

● Volume (millions)

	Feb 16	Feb 15	Feb 14
New York SE	295.390	306.687	257.752
Amex	19.371	20.041	20.696
NASDAQ	338.501	396.637	282.513
NYSE			
Issues Traded	2,751	2,749	2,757
Rises	1,186	1,196	1,111
Falls	940	869	1,032
Unchanged	625	684	614
New Highs	103	82	60
New Lows	41	34	35

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close February 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993/94 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
16⅝	11½	AAR	0.48	3.0	53	797	u16⅝	16⅛	16⅛	
28⅞	12¾	A L Labs A	0.18	1.2	35	73	15⅜	15¼	15⅜	
67¼	54⅝	AMP	1.68	2.7	22	1717	63½	62⅝	62⅝	-⅞
72¾	55½	AMR			32	2548	66¼	65⅜	65¾	-¼
5	1¾	ARX			19	730	u5	4¾	4⅞	-⅛
56⅛	29⅞	ASA	2.00	4.3	30	2795	47½	46	46¾	+½
30¾	22⅝	AbbotL	0.76	2.7	16	13299	29	28⅛	28⅞	-⅜
13	8¾	Abitibi Pr	0.50	3.8	8	48	u13⅛	13	13⅛	+¼
15⅝	8¼	Acptncetn			23	44	12⅞	12¾	12¾	-⅛
36	25½	ACE Ltd	0.40	1.4	4	780	28⅝	28⅝	28⅜	-⅛
12⅝	10¾	ACM Gvt In	1.09	8.8		295	12⅜	12¼	12⅜	+⅛
10⅛	9¼	ACM GvOpp	0.80	8.1		31	9⅞	9¾	9⅞	+⅛
10⅝	8¾	ACM Gvt Sp	0.96	9.3		1112	10⅜	10⅛	10⅜	+¼
12¾	10½	ACM Gvt Se	1.09	9.5		435	11⅝	11½	11½	
12¼	9⅝	ACM Man	1.08	9.8		387	11	10⅞	11	+⅛
9⅞	8⅝	ACM Managd	0.72	8.1		101	9	8⅞	8⅞	-⅛
12⅞	7¾	AcmeClv	0.44	4.5	12	112	9⅞	9¾	9⅞	+⅛
11⅜	6⅞	Acme Elect			34	120	8⅜	7⅞	7⅞	-½
27⅞	18⅞	Acordia	0.44	1.7	13	53	26⅛	25⅞	26	+⅛
9¾	6⅞	Actava	0.36	4.2	17	459	8⅞	8½	8⅝	-⅜
16	10⅞	Acuson			90	234	12⅛	11¾	11¾	-⅝
21¾	17⅝	Adams Expr	0.36	2.0	0	88	18⅛	18	18⅛	+⅛
65¼	45½	Ad Micro	3.00	5.7		39	53⅝	52½	52¾	+¼
32⅞	16¾	AdvMic	3.00	13.7	9	4920	22⅞	21¾	21⅞	+⅛
8⅛	5½	Advest Grp	0.16	2.4	10	110	6⅞	6⅝	6⅝	-¾
24¾	14¼	Advo Inc	0.10	0.6	15	757	17½	17	17⅜	+½
58½	41⅛	Aegon ADR	1.29	2.3	11	18	54	53⅞	54	+⅝
68¾	43⅞	AetnaL	2.76	4.3	27	2419	65½	63⅝	63⅞	-1⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

4 pm close February 17

NYSE COMPOSITE PRICES

Continued from previous page

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'ge Prev. Close
24¾	13⅛	SftyKl	0.36	2.3	9	1808	15⅞	15	15⅞	+½
23	10⅞	Safeway			23	3121	u23⅝	23¼	23⅝	+⅝
5⅞	2	SafewayW98				813	u5½	5⅜	5½	+¼
55½	37½	StJoePaper	0.20	0.4	286	41	54½	54⅛	54⅜	+½
37⅞	28	StJosLAP	1.80	6.3	14	21	28⅝	28½	28⅝	
98	75	StPaul	3.00	3.6	8	606	83	81¾	82½	+⅛
11⅜	6⅛	Salant Crp			10	242	8⅜	8	8¼	+⅜
75¼	39⅞	Sallie Mae x	1.40	2.9	9	4957	49	47⅝	48¾	+1⅜
14⅜	12⅝	Salomon Br x	0.55	4.1		189	13⅝	13¼	13⅜	
51⅞	34	Salomn	0.64	1.3	6	2440	50⅜	50	50	-⅛
27¾	22⅞	SnDgGE	1.49	6.6	12	805	23¼	d22⅞	22⅞	-⅝
11⅞	8⅜	SantaFeERs	0.16	1.8	300	927	9⅛	8⅞	9	-⅛
40¾	35¾	SantaFePac	2.80	7.2	18	49	39¼	38⅞	39	
26¼	12¾	SanFeP	0.10	0.4	12	4260	23⅝	23	23¼	
31⅛	21	SaraLee	0.64	2.9	15	14471	22⅝	21⅝	22¼	-⅛
52¼	40¼	Scana Corp	2.82	6.2	12	460	46⅝	45½	45⅝	-⅝
25⅜	18½	Scecrp	1.42	7.6	13	5828	19	d18½	18¾	-⅛
40½	23⅞	SchererRP			29	240	38¾	38⅜	38⅜	-¼
71	51¾	SchrPl	1.80	3.0	14	6999	60¾	58½	59⅝	-⅜
68⅞	54⅝	Schlmb	1.20	2.1	24	4815	57⅞	57¼	57⅝	+⅝
38⅜	16½	SchwabCh	0.28	1.1	12	7607	27½	25⅛	26¾	-1⅝
9⅝	5⅝	Schwitzer			128	205	9½	9	9	-⅛
38⅞	17¾	SciAtl	0.12	0.4	55	1629	28⅛	27⅞	27⅞	-⅜
18¼	9⅛	Scotsmn	0.10	0.6	16	120	u16¾	16¼	16½	+¼
46⅜	31	ScottP	0.80	1.8	11	2656	45	44⅝	44⅝	-⅛
28⅝	14¼	ScuddrNAsF	0.27	1.1		300	24⅝	24⅜	24½	-⅛

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs

[illegible]

AMEX COMPOSITE PRICES

4 pm close February 17

[illegible]

NASDAQ NATIONAL MARKET

4 pm close February 17

[illegible]

AMERICA

Low inflation, strong exports support Dow

Wall Street

US share prices improved yesterday morning as investors warmed to news of low inflation and strong manufacturing exports, *writes Frank McGurty in New York.*

By 1 pm, the Dow Jones Industrial Average was 11.54 ahead at 3,948.81, but other indices showed only fractional gains. The more broadly based Standard & Poor's 500 managed only a slender rise of 0.36 to 473.15, even though advances led declines by 1,112 to 840. In the secondary markets, the American SE composite edged 0.58 higher to 475.90, and the Nasdaq composite nudged up 0.38 to 475.90.

Activity on the NYSE was brisk, with 194m shares traded by 1 pm.

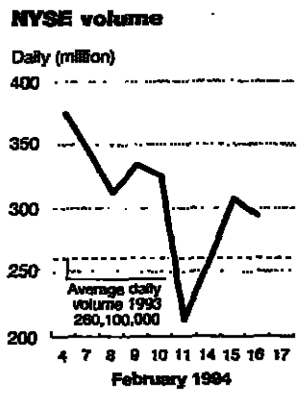
Equity investors entered the day with fresh evidence that inflation was not a problem for the economy.

The labor department said that its consumer price index was unchanged last month, and that its core index, excluding the volatile food and energy sectors, showed a tame 0.1 per cent increase.

Furthermore, the commerce department said that the US trade deficit narrowed in December largely because of increased exports. For stocks, the overall picture was the best of both worlds – low inflation and solid manufacturing growth.

Bonds, however, gave back most of their gains when the Philadelphia Federal Reserve's February business outlook survey suggested that prices paid by manufacturers in the region were on the rise. The downturn in bonds caused stocks to stumble but the market quickly regained its poise.

NYSE volume



The news of strong manufacturing exports gave a boost to some cyclical stocks, including Caterpillar, up $1⅝ to $108⅝, Allied Signal, up $1¼ at $81⅝, and General Electric, up $⅝ at $109⅝.

In defence-related issues, Boeing and McDonnell Douglas continued to benefit from the previous day's announcement of a $6bn aircraft order by Saudi Arabia. Boeing added $1¼ to $47⅜ and McDonnell Douglas $1⅜ to $120¼.

Elsewhere in the sector, Raytheon fell $2⅜ to $62⅜ after the US army passed over a missile interceptor developed by the company. Loral, which won the contract, slipped $⅛ to $40⅛.

In medical technology, US Surgical dropped $2⅞ to $18⅝ after revealing that it was renegotiating loan agreements with its banks.

On the Nasdaq, Lotus Development surged $4⅛, or nearly 8 per cent, to $64⅛ on a report that the software concern may enter a joint venture with AT&T.

Furman Selz, the New York brokerage firm, was understood to have raised its earnings estimate on the company in response to the news.

Canada

Toronto remained in positive territory at midday, helped by strength in gold and transportation shares.

The TSE-300 composite index was up 7.39 at 4,431.49 in volume of 45.9m shares valued at C$515m.

The precious metals sector rose 77.81 to 10,557.61 as gold prices climbed higher on technical buying.

EUROPE

Bourses lifted by Bundesbank rate cut

The Bundesbank's decision to cut its discount rate lifted bourses around Europe, *writes Our Markets Staff.*

Mr Joe Rooney, European equity strategist at Lehman Brothers in London, said that the move was "very positive", reflecting the Buba's emphasis on the reducing trend in German inflation, and on the distortions in the trend of money supply growth.

He said that the cut should be particularly important to equities in countries suffering from an excessively tight monetary policy: "That really is France at the moment," he maintained, although Spain should be another winner.

Conversely, he said, Germany and the Netherlands are not so interest rate sensitive, and the move should be less beneficial for them.

FRANKFURT, yesterday afternoon, was not listening to the pragmatists. Sentiment took over and, after a fall of 7.89 to 2,128.72 in the Dax index before the Buba news emerged, the Ibis-indicated index closed at 2,162.29.

Turnover was virtually level at DM8.5bn. Afternoon gains were broadly based and relatively even: Allianz, Deutsche Bank, Daimler and Bayer all put up rises in the 2 to 2½ per cent area.

BMW fell behind the afternoon pace, up DM8 to DM867, but it had already climbed DM31.50 on the official session, said Mr Nigel Longley at Commerzbank, leaving it 4.8 per cent up on the day following a US report that the carmaker expected profits to rise by 20 to 30 per cent this year.

PARIS initially reacted with undisguised satisfaction at the news from Germany, sending the CAC-40 index to a session high of 2,305.62.

However, the market eased back on the likelihood that the Bank of France would not move to cut domestic rates until next week, closing the day up 16.86 at 2,281.18.

Ms Melissa Carrington, European strategist at Hoare Govett, said that the fact that the Bundesbank had left the repo rate unchanged limited the French authorities' room for manoeuvre, and could mean that they will not be able to follow with a full 50 basis point cut.

Mr Anthony Thomas, an economist at Kleinwort Benson, noted that yesterday's announcement meant that the trigger point for a switch out of cash and into equities was coming nearer. French investors, he said, were sitting on a mountain of cash which would provide the opportunity for market performance.

FT-SE Actuaries Share Indices

Feb 17								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1493.72	1493.04	1493.86	1492.13	1492.81	1513.35	1517.10	1516.85
FT-SE Eurotrack 200	1551.06	1551.58	1561.89	1552.37	1552.96	1570.98	1570.25	1569.18

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10
FT-SE Eurotrack 100	1491.80	1483.24	1477.57	1487.36	1499.22
FT-SE Eurotrack 200	1564.49	1540.98	1534.08	1543.87	1558.07

Base value 1000 (26/10/90); High/day 100 - 1518.49, 200 - 1572.84 Low/day 100 - 1490.98 200 - 1550.54

Saint-Gobain, up FFr15 to FFr685, benefited from the announcement that the UK glass manufacturer, Pilkington, was to lift European prices by an average of 10 per cent.

AMSTERDAM saw plenty of activity in Akzo with some investors looking ahead to next week's results. The chemicals group advanced Fl 4.50 to Fl 213.70, while the AEX index improved 1.30 to 432.91.

Hoogovens ended 40 cents higher at Fl 63.30. After the close it said that it would make additional cuts in its aluminium output from next month.

MILAN enjoyed a positive session. BCI, for instance, broke through the L6,000 level, finding support ahead of its planned privatisation in a few weeks' time. The shares finished up L230 at L6,050.

Fiat was heavily bought for the second successive session, rising L276 to L5,035, with further talks on the car group's planned restructuring package scheduled for later last night.

Olivetti rose L154 to L2,490, helped by brokers' reports and expectations that it will be awarded the country's second digital telephone network.

MADRID recovered from bond market pessimism and equity weakness to close with the general index 1.91 higher at 347.98, after 342.91 at midday.

STOCKHOLM jumped 2 per cent in heavy trading, the Affärsvärlden General index closing 31.4 higher at 1,589.0, supported by the Buba cut and the dissolution of Volvo's cross-ownership agreement with Renault SA of France. Volvo B rose SKr15 to SKr692.

ISTANBUL stretched its gains this week by another 8 per cent, leaving the composite index up 1,449.68 at 19,131.00. Turnover rose from TL890bn to TL1,540bn.

TEL AVIV's worries over a wide-ranging stock price manipulation scandal sent the Mishtanim index down another 12.96, or 5.4 per cent to 227.42 yesterday, *writes David Horovitz in Jerusalem.* With the exchange closed today, the drop on the week was 6 per cent, following one of 9 per cent last week.

Two portfolio investment managers were arrested last week by the securities authority on suspicion of manipulating securities for the eight companies they managed. And earlier this week Mr Amos Weiss, a leading portfolio manager with about Shk1bn (some $335m) under management, was released on bail after being questioned on suspicion of stock manipulation.

Written and edited by William Cochrane and John Pitt

Volatility is the new keynote in Zurich

Ian Rodger on the recent attack of nerves in the formerly placid Swiss equity market

Investors in the Swiss stock market have become accustomed to almost automatic share price rises in the past couple of years.

The SPI all-share index climbed virtually without pause in 1993 and started this year on much the same trend, with a brisk advance of 6.4 per cent in January.

But the party finally came to an abrupt end last week.

While most world stock markets sagged slightly following the rise in US interest rates and then recovered, the Swiss market dropped more sharply than it had in over a year. In six sessions from February 7, the SPI shed more than 6 per cent of its value, while the SMI index of 18 leading shares tumbled 8.9 per cent.

Suddenly, the adjective on every analyst's lips is "volatile". "We are now in a period of nervousness," says Mr Serge Ledermann, head of Swiss equity research at Geneva bankers Lombard, Odier.

In spite of this week's recovery, with the SPI and the SMI up by 3.5 and 4.3 per cent respectively since Monday evening, few believe the market will return to its placid rising pattern in the near future. "We do not expect any new highs in the next few months," says Mr Bernhard Tschanz of Credit Suisse in Zurich.

As might be expected following an interest rate rise, the main victims of last week's correction were bank shares. The banking sub-index of the SPI fell 6.4 per cent over the six sessions to Tuesday.

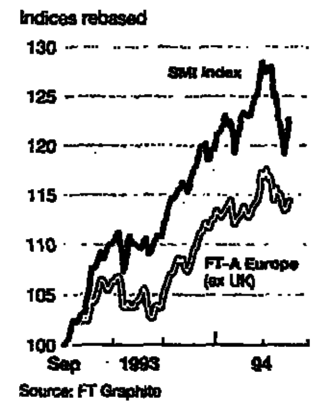
The important chemical and pharmaceutical sector was on trend with a 6.2 per cent setback, as was the Nestlé-dominated food sector.

On the other hand, the cyclical machinery group declined only 3.7 per cent, indicating the increasing attention paid to these shares as the prospects of economic recovery in Europe improve.

Analysts point out that the correction was in many respects overdue. The Swiss market, which is perhaps valued at 15 times expected 1994 earnings, has been looking expensive relative to other European markets for several weeks. It is widely known that many international portfolio managers have recently reduced their Swiss weightings.

Thus, as Mr Ledermann suggests, the correction was logical even though the event that provoked it was neither unexpected nor directly damaging.

There is also a feeling that a longer term structural shift is taking place. In the past two years, Swiss equities have been driven by the strong downward interest rate trend and the reassessment of earnings following much improved disclosure by most Swiss companies.



Source: FT Graphite

From now on, says Mr Ledermann, the focus will be much more on individual companies' profit performance. This is already most clearly evident in the pharmaceuticals sector, where Roche shares continue significantly to outperform those of its local rivals, Ciba and Sandoz.

Roche non-voting shares are up 13.4 per cent since the beginning of the year to SFr7,050, while Sandoz bearers are off 6.0 per cent and Ciba registered down 1 per cent.

Similarly, among the big banks, Union Bank of Switzerland bearers are 3.4 per cent higher since the end of December, while bearers of CS Holding, the group built around Credit Suisse, are down nearly 2 per cent.

It is probably no coincidence that, in both of these cases, Mr Martin Ebner's influential BZ Bank group in Zurich has made clear its preferences for UBS and Roche. BK Vision and Pharma Vision, investment companies controlled by BZ, have indicated in the past few weeks that they would probably sell off their large holdings in Ciba and CS Holding.

Some analysts have also pointed to BZ as the source of an unusually high level of activity in the shares of Nestlé in the past few weeks. Nearly SFr3.8bn in the food group's shares were traded in January, more than double the monthly average last year. The price, at SFr1,367 yesterday, is up by nearly 7 per cent since the beginning of the year.

Food Vision, anyone?

ASIA PACIFIC

Nikkei drifts lower in absence of foreign buying

Tokyo

Uncertainty over the yen's course against the dollar kept investors sidelined, and share prices lost ground on small-lot selling in low volume, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average was finally down 120.72 at 18,931.39 after opening at a high for the day of 19,026.50 and falling to a low of 18,809.98 in the afternoon. The Topix index of all first section stocks declined 5.55 to 1,553.55, while the Nikkei 300 shed 0.59 to 287.06.

Arbitrage unwinding overwhelmed foreign buying, which has dwindled during the past few days. Japanese investors were wary of US threats to impose trade sanctions due to its closed mobile telephone market. The US administration has announced that it plans to restrict imports of Japanese communications equipment over Japan's alleged violation of a bilateral cellular market accord.

In spite of fears that the dollar could fall below the Y100 level, the foreign currency market had a quiet day. The dollar closed Y0.38 up at Y103.48 after moving around the Y103 mark. But traders remain worried about the impact of the yen's strength on the expected economic recovery, which has supported recent buying.

Volume was 300m shares, against 372m. Declines led advances by 696 to 293, with 176 issues unchanged. In London the ISE/Nikkei 50 index eased 0.46 to 1,282.41.

Nitsuko, a telephone manufacturer belonging to the NEC group, was the most actively traded issue, declining Y180 to Y1,280. NEC fell Y3 to Y968 and Nippon Telegraph and Telephone lost Y12,000 to Y886,000.

Other export oriented high-technology issues were also lower. Sony lost Y60 to Y5,800 and Canon declined Y10 to Y1,580.

However, some car stocks were higher on bargain hunting: Toyota Motor gained Y10 to Y1,900 and Honda Motor advanced Y40 to Y1,620.

Drug issues lost ground on profit-taking with Takeda Chemical falling Y20 to Y1,230 and Yamanouchi Pharmaceutical losing Y40 to Y2,110.

Short-term investors traded speculative favourites. Nippon Shokubai, which was traded on the "environmental theme" rose Y30 to Y1,050, but Takuma declined Y40 to Y1,410 on profit-taking.

In Osaka, the OSE average fell 179.08 to 21,036.75 in volume of 59.2m shares.

Roundup

Turnover in many of the region's markets continued to fall back or remain below recent average levels.

HONG KONG ended a day of roller-coaster trade with the Hang Seng index recovering 152.44, or 1.4 per cent to 10,786.58, after swinging between a 185-point gain and a 157-point loss. Turnover fell from HK$6.48bn to HK$5.59bn.

Domestic professionals said that US speculators were playing futures, destabilising the cash market. February futures closed at a big premium to the spot market at 10,935, up 325, on heavy volume of 17,000 lots. The contract gyrated in a 480-point range between 10,470 and 10,950.

TAIWAN, too, had higher share prices and lower activity, the weighted index ending 42.86 up at 5,905.49 after an early low of 5,822, and turnover falling from T$58.31bn to T$47.39bn.

The financial sector stabilised after recent sharp falls but domestic and foreign institutions continued hunting for selected industrials. The paper sector led gains after Long Cheng Paper said that profits rocketed in 1993, and the shares rose T$1.20 to T$25.90.

BANGKOK's most active stock was Bangkok Bank, currently on a roadshow in support of its Euroconvertible issue, up Bt3 at Bt200 as the SET index rose 16.09 to 1,445.20. Turnover was Bt12.3bn.

BOMBAY recovered on fresh buying by Indian financial institutions and mutual funds, the BSE 30-share index closing up 59.97 at 3,867.39. Dealers said that investors were anticipating another rally ahead of the Indian budget in ten days' time.

AUSTRALIA took a late tumble and the All Ordinaries index, after rising 10 points during morning trade, ended 8.1 lower at 2,240.9. One broker said that a fall in domestic bonds, and mixed company interim results had added to the drop. Turnover was A$553.7m.

NEW ZEALAND followed London and New York, the NZSE-40 index closing 12.98 higher at 2,324.91. Brierley sold 30m Skellerup shares, which rose 2 cents to NZ$2.70, and the sale boosted market volume from NZ$57m to NZ$135m.

KARACHI closed the last session before the two-day weekend break in a cautious mood, with some investors unnerved by the possibility that the coalition government in the North West Frontier Province might be voted out of office. The KSE 100-share index shed 19.98 to 2,382.72.

COLOMBO continued its bull run with a further gain in the all-share index of 29.47 to 1,306.89. Turnover weakened from SLRs362m from SLRs398m.

SOUTH AFRICA

Sentiment was boosted by the ANC's political initiative and a large inflow of overseas funds. The overall index advanced by 105 to 4,887, industrials by 84 to 5,675 and the golds index by 107 to 1,981. Anglos rose a further R6 to R118.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY FEBRUARY 16 1994								TUESDAY FEBRUARY 15 1994					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	180.98	1.2	181.39	118.46	162.01	169.12	0.6	3.08	178.87	179.72	116.68	160.47	168.12	189.15	128.29	129.43
Austria (17)	187.97	0.8	188.40	123.04	168.27	168.02	0.6	0.95	186.55	187.43	121.68	167.35	167.06	195.41	139.63	145.37
Belgium (42)	166.70	-0.2	167.08	109.12	149.23	145.82	-0.4	3.94	167.12	167.90	108.91	149.92	146.36	169.08	140.51	140.51
Canada (107)	135.23	0.4	135.54	88.52	121.06	132.32	0.1	2.55	134.69	135.33	87.78	120.83	132.12	145.31	117.81	118.23
Denmark (32)	267.94	0.3	268.54	175.38	239.86	245.78	0.1	0.92	267.18	268.44	174.12	239.68	245.54	275.79	195.66	207.22
Finland (22)	150.51	1.0	150.85	98.52	134.73	176.17	0.9	0.58	149.05	149.76	97.14	133.71	174.65	156.72	68.33	69.21
France (99)	179.07	0.5	179.48	117.21	160.30	164.76	0.3	2.82	178.24	179.07	116.16	159.89	164.33	185.37	149.60	150.68
Germany (59)	134.03	1.1	134.33	87.73	119.97	119.97	0.9	1.77	132.58	133.19	86.39	118.92	118.92	142.38	107.59	112.04
Hong Kong (56)	430.91	-3.6	431.89	282.06	385.75	428.04	-3.6	2.49	447.19	449.30	291.44	401.17	444.11	506.56	233.84	242.92
Ireland (14)	194.68	1.2	195.12	127.43	174.28	193.51	0.8	2.88	192.46	193.36	125.42	172.64	192.01	209.33	129.91	131.10
Italy (69)	76.65	0.5	76.83	50.17	68.62	98.03	0.6	1.78	76.30	76.66	49.73	68.45	95.43	78.93	55.21	60.10
Japan (469)	150.96	-0.4	151.30	98.81	135.14	98.81	0.1	0.82	151.50	152.22	98.74	135.91	98.74	166.91	107.97	108.30
Malaysia (69)	493.85	-0.2	494.97	323.25	442.09	530.37	0.1	1.38	495.01	497.34	322.61	444.07	529.99	621.63	267.68	270.90
Mexico (18)	2554.06	-0.9	2559.61	1671.76	2288.31	8672.04	-0.9	0.58	2578.14	2590.24	1680.19	2312.75	8752.38	2647.09	1410.30	1540.86
Netherland (26)	205.40	0.6	205.88	134.45	183.87	181.09	0.4	2.93	204.20	205.16	133.08	183.18	180.39	207.43	156.67	156.67
New Zealand (14)	72.72	-0.2	72.89	47.60	65.10	67.28	-0.6	3.45	72.89	73.24	47.51	65.39	67.66	77.59	44.19	46.19
Norway (23)	200.30	1.9	200.75	131.11	179.30	202.61	1.7	1.46	196.62	197.54	128.14	176.38	199.07	204.44	138.63	142.92
Singapore (45)	346.23	-0.3	347.02	226.63	309.94	254.01	-0.2	1.59	347.20	348.83	226.27	311.47	254.46	378.92	213.57	219.76
South Africa (60)	241.85	-0.1	242.40	158.31	216.50	245.02	1.1	2.33	242.20	243.34	157.85	217.27	242.46	280.26	160.78	168.60
Spain (42)	149.97	-0.1	150.31	98.16	134.25	160.26	0.0	3.66	150.17	150.87	97.87	134.71	160.29	155.79	116.33	126.94
Sweden (36)	219.92	1.9	220.42	143.95	196.87	261.41	1.8	1.37	215.79	216.81	140.63	193.58	256.80	230.02	154.59	163.74
Switzerland (49)	168.27	1.1	168.64	110.14	150.63	151.42	1.2	1.44	166.48	167.26	108.50	149.34	149.86	176.56	109.14	113.18
United Kingdom (215)	206.93	1.0	207.40	135.45	185.25	207.40	0.7	3.46	204.96	205.92	133.57	183.86	205.92	214.96	163.23	164.28
USA (518)	192.18	0.0	192.61	125.79	172.03	192.18	0.0	2.73	192.11	193.01	125.20	172.33	192.11	196.04	176.29	177.21
EUROPE (745)	173.37	0.8	173.76	113.48	155.20	167.40	0.7	2.70	171.95	172.75	112.06	154.25	166.28	178.58	136.35	136.80
Nordic (113)	213.04	1.4	213.51	139.44	190.70	220.84	1.3	1.16	210.10	211.09	136.92	188.47	217.87	220.60	145.86	151.44
Pacific Basin (722)	161.99	-0.5	162.35	106.03	145.00	110.79	-0.2	1.09	162.81	163.58	106.11	146.06	110.97	168.80	113.56	113.55
Euro-Pacific (1467)	166.57	0.1	166.94	109.03	149.11	132.54	0.2	1.79	166.46	167.24	108.48	149.33	132.28	170.78	122.94	122.94
North America (625)	188.64	0.1	189.07	123.48	168.87	186.06	0.0	2.72	188.55	189.43	122.88	169.14	187.98	192.73	172.67	173.56
Europe Ex. UK (530)	152.02	0.7	152.36	99.61	136.08	143.92	0.6	2.22	150.90	151.61	98.34	135.37	143.00	155.73	119.31	119.46
Pacific Ex. Japan (253)	268.38	-1.3	268.99	175.67	240.25	247.63	-1.4	2.43	271.93	273.21	177.22	243.95	251.20	296.21	164.34	164.90
World Ex. US (1652)	168.12	0.1	168.49	110.04	150.49	135.84	0.2	1.80	168.03	168.82	109.50	150.73	135.58	172.51	124.15	124.15
World Ex. UK (1955)	172.05	-0.1	172.43	112.61	154.01	148.32	0.1	1.99	172.14	172.95	112.19	154.42	148.22	175.58	136.71	138.87
World Ex. So. Af. (2110)	174.73	0.1	175.12	114.37	156.41	162.67	0.1	2.13	174.64	175.46	113.82	156.67	152.48	178.56	140.95	141.00
World Ex. Japan (1701)	189.71	0.2	190.14	124.18	169.83	186.03	0.1	2.66	189.32	190.21	123.38	169.83	185.74	195.20	159.44	158.78
The World Index (2170)	175.10	0.1	175.49	114.61	156.74	153.42	0.1	2.14	175.01	175.84	114.06	157.00	153.21	178.97	141.01	141.09

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Latest prices were unavailable for this edition.

Jobs: Wanted, a change of focus for recruitment advertising as the recession comes to an end

As much back to the future as basics

What makes a good job advertisement? This question stems not just from a voguish desire to get back to basics but is prompted by the mission set for this column by my predecessor: to ensure that society's most important jobs are filled by the people best able to do them. Some guidance might be gleaned from the two premier UK recruitment advertisement awards currently bestowing laurels on the best of last year's efforts.

The British Recruitment Advertising awards run by The Independent and Personnel Today were held three weeks ago at a gala evening in Grosvenor House, London. The rival Recruitment Industry Awards, given jointly by the Institute of Practitioners in Advertising and the Institute of Personnel Management are about to be judged ahead of the awards ceremony in April.

In the most recent crop Austin Knight UK, the recruitment advertising, consulting and communications company, scooped the Advertisement of the Year for its London Fire Brigade contribution.

The advertisement aimed at graduates and school leavers featured "an ad within an ad" as if someone had torn a vacancy from a newspaper and placed it on a blank page. It said: "£56K salary, generous leave, car loan scheme, retirement at 55, excellent pension." At the foot of the otherwise blank page a statement read: "We haven't mentioned the bit about saving lives." The real information came underneath, mentioning three salary tiers and reminding prospective applicants that they were looking at a career with "serious senior management" potential.

To give the gist, it said: "That fifty six thousand is what you'd earn as an Assistant Chief Fire Officer: take away 'assistant' and you're looking at another £20K at least." Then came the news that there were no short cuts or soft options for graduates who would start as a firefighter on a basic of £15,000.

The other 16 categories were dominated by Macmillan Davies, the recruitment consultancy and advertising agency that was recently taken over by Omnicom, the US communications group.

Macmillan Davies collected six awards and 15 commendations, including the best campaign award for a series of advertisements for Norwich Union. They depicted teams in tug-of-war, rowing and climbing, all pulling together in the same direction.

A more mundane Norwich Union vacancy in these pages last week, looking for an economist, still managed to stand out even though it was no more than average sized. It was the only one that was not framed in a lined-box.

Another omission was the salary. The only figure quoted was the £30bn and more that the Norwich controls in managed funds.

The debate about whether or not to include salaries continues to tax recruiters. Richard Goldie, managing director of Macmillan Davies, says that conventional wisdom holds that it is best to state the salary but employers are sometimes chary about flagging up internal comparisons. "If you know the salary is competitive, I think it's best to state it," he says.

A compromise could be to include a salary range or possibly an overall package figure to give some scope for negotiation or the provision of a "cafeteria" choice of reward.

A recurring grumble at the IPM Compensation Forum's annual conference in London recently was about the lack of imagination in reward systems. Other than the standard salary with perhaps a performance related bonus and a car, there is often little to differentiate one form of benefits package from another.

The cafeteria idea is to provide an overall figure against a list of benefits to allow scope for bespoke tailoring of the salary package fitted to individual preferences. Optional benefits might include medical insurance, added pension contributions, child allowances or flexible hours.

The challenge to become more imaginative in reward packages and advertisements will grow as the recruitment market becomes more competitive. Awards judges are still looking for creativity within limited budgets. One of the simplest but most effective advertisements in the BRA awards was in the black and white category won by the J Walter Thompson agency. The ad, seeking a pianist to play in an RAF band, used a logo of a fighter jet with a music note as its wheel and undercarriage.

Good pianists are rare commodities but with some posts it might not pay to be too clever. Tim Gibbon, UK chief executive of Austin Knight and chairman of the IPA/IPM awards panel, believes that one effect of the recession has been to suppress creativity in recruitment advertisements. When the most ordinary advertisement and basic job description is likely to attract 200 applicants, he argues, it can be counter productive to entice thousands of applicants that cost time and money to process.

Gibbon says: "One of the challenges in a recession is to create ads to reduce the number of replies because the response management side has become a problem for our customers."

While advertisers concede that the number of appointments is growing again, there is still a limited budget for recruitment. A recruiter would expect to spend between 5 and 10 per cent of the salary level on the vacancy advertisement and would rarely book a repeat slot.

"It's not like selling a can of beans," says Gibbon. "Every job is different. You are looking for the unique selling point that will prompt a person to apply. It is often not the salary. It might be the challenge. If you can say with a technical job, for example, that the company is offering opportunities at the leading edge of technology, people will want to work there."

He believes the most important aspect of the recruitment advertisement is to answer the question "What's in it for me?" from the applicant. "The idea is to become tougher on the specifications. Take out the preferables and the probables," says Gibbon, but not without subtlety. "One of the problems with 'Only the best will do' ads is that everybody wants to pick up on the challenge."

Bold, direct messages have become fashionable. One of the award winning Norwich Union advertisements stated: "The difference between Norwich Union and others is simple: It's much harder to work for Norwich Union." The intention, says Goldie, was to be arrogant and aggressive. "The theme was that you had to be to be good enough to work for Norwich Union. The idea was that by saying the Norwich job was harder to do you would be attracting the people who think they are the best and most ambitious."

The technique, called employee branding, adopts the same principles used in creating product brand consciousness among customers. It creates a certain employer status, in people's perception at least, and theoretically has a broader impact on customers generally.

The advertisement is thus performing a dual function by appealing to job seekers and by creating a general brand image. In this case, that the Norwich is for toughies.

● The items in some newspapers last week about CV bloomers collected by Accountemps, the Birmingham-based financial recruitment consultants, made me wonder whether anyone has ever spotted any glaring mistakes on CVs attached to the top jobs. The Accountemps collection included the candidate who wrote that she had "terminated herself" and one who listed among his skills "Excellent memory, strong mathematical aptitude, excellent memory". Does anyone have any similar gems?

A final thought. Prospective Norwich Union job applicants might want to list a few sports in their CVs. What about tug-of-war, mountaineering and rowing?

Richard Donkin

Investment Director

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THE POSITION
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QUALIFICATIONS
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Please send your cv, in strictest confidence to, Tana Akson at the address below

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Candidates should be numerate, articulate and ideally in their early to mid 30's. A credible track record in international equity investment must be coupled with the maturity, experience and inter-personal skills to deal with a wide range of UK and international private clients on a discretionary basis. An ability to fit into a flat, open culture is essential, together with the self confidence and motivation to succeed.

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For an initial discussion, please contact **Elizabeth Bancroft or Paul Wilson,** on telephone number 071 831 2000 or alternatively write to them at **Michael Page City, Page House, 39-41 Parker St, London WC2B 5LH. Fax: 071 405 9649.**

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For further information, please telephone or write in strictest confidence to Tony Leggett.

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ACCOUNTANCY COLUMN

Another method of stopping the writs

Large auditing firms want the law to limit their professional liability. But there is a different option, writes Emile Woolf

Those with good memories will know that the accountancy profession has allegedly been enduring a liability crisis for nigh on two decades. The evidence is that the affliction has so far proved not to be terminal.

It is not surprising that the major international firms have consistently led calls for reform of the auditing liability laws, since it is their claims history that gives the greatest cause for alarm.

But lest their pleas be dismissed after so many years of crying wolf, it has to be acknowledged that their exposure to claims is now significantly greater than at any time. Their internal risks reduction procedures are also more rigorous.

Regrettably, there is a knee-jerk reaction to implicate auditors every time a large collapse or financial scandal causes widespread loss. The fact that it is improbable that the initial writ will lead to a successful trial does not seem to deter plaintiffs.

Many of the mega-claims fall into this category, and ultimately only the courts can serve as the sifting house of last resort for laying down firmer criteria for justifiable actions. However, in most cases the massive cost to defendants and their insurers of proceeding down the fraught path to court – in terms of lost management time as well as money – makes even substantial pre-trial settlements more attractive than prolonged misery.

The UK's eight largest auditing firms now regard the risk of one or more of their number being wiped out by claims as so acute that they are seeking to enlist the Institute of Chartered Accountants in England and Wales in their campaign for reforming the liability laws. A paper to be put to its the institute's council in March will call for section 310 of the Companies Act to be abolished, thus allowing auditors to agree liability limits with their clients as part of the audit contract.

The reformers' final aim is to have the common law principle of joint and several liability removed from auditing legislation. Under this principle a plaintiff enjoys a choice of potential targets, each liable for the full extent of the alleged losses irrespective of relative fault. This gives rise to the "deep pocket" syndrome whereby any defendants known to carry heavy insurance against claims are inevitably selected for the full treatment.

It is unlikely that with so many major *causes célèbres* involving auditors still unresolved the government will succumb to the institute's pleading on behalf of the large firms – no matter how that pleading is dressed up as being in the public interest.

A more realistic reform, if reform there must be, is to extend the principle of contributory negligence to proceedings brought in contract. At the moment, the contributory negligence is restricted to actions in tort.

Since the auditor's contractual relationship is with the company rather than its shareholders or officers, the amending legislation would have to state that negligent actions by the directors are to be construed as having been performed by the company, thus bringing them within the ambit of the contributory negligence framework.

This reform would discourage a host of claims that are unreasonably waged against auditors when directors are the more culpable target. For example, when a company suffers massive loss through management or employee fraud, which the directors alone had a duty to prevent by establishing the relevant controls.

The reform would also reduce the number of claims against auditors brought by liquidators of companies that have collapsed because of management rather than audit failure.

For reasons already explained few cases proceed to trial. Yet in recent years most of those that have gone all the way have effectively stemmed the trend towards open-ended accountability. Indeed, properly analysed, recent judgments have achieved much of the reform that the large accountancy firms seek.

The Caparo and Al-Saudi Banque judgments restricted the proximity available to third-party investors and lenders seeking to recover alleged losses from auditors. When the Caparo appeal reached the House of Lords, their Lordships' largesse favoured the profession to such a degree that much undignified embarrassment resulted.

Ill-informed sources within the profession even went so far as to express the fear that the inability of third parties to sue on the basis of negligently audited accounts somehow rendered all financial reporting useless.

In December 1993 the recall to rational principles of liability determination was given a further boost by the Appeal Court's findings in *Galoo Ltd & Others v Bright Grahame & Murray*. The immediate and ultimate parent companies of a subsidiary lost substantial sums when the subsidiary was placed in liquidation, and all three companies commenced proceedings against the auditors of the failed subsidiary, alleging that the previous five years' audits had been conducted negligently. The auditors succeeded in their application to the High Court to have the claims struck out as disclosing no reasonable cause, and this judgment was upheld on appeal.

The Appeal Court laid down the proper method for determining reasonable cause in such actions. First, to ascertain that the negligent act gave rise to the "occasion for damage" to occur; and then to apply common sense in deciding whether the act was in fact the "effective or dominant cause" of such damage. An act that merely provided the occasion for loss cannot *per se* be said to have caused the damage.

Applying this principle to the Galoo case, the court found that trading losses suffered by the subsidiary after the issue of any negligent audit report (assuming it to be so only for the purpose of the argument) did not, on their own, establish that the losses were caused by that report.

The report provided Galoo with the opportunity to continue to trade and incur losses, but those flowed from the trading rather than the provision of any negligent report. Similarly, the acceptance by Galoo of a loan following the issue of the report could not of itself have caused any loss. Leave to appeal to the Lords was refused.

Both the causation and quantum issues underpinning many actions against auditors hinge on the tenuous proposition that the directors would have been able to reverse the company's fortunes or stem its losses "if only the auditors had told them the true position earlier". We can expect a sharp fall-out of such actions following Galoo.

It seems, on the evidence of many such recent findings, that the courts provide a far more fruitful source of reform than the succession of pleas to the Lord Chancellor's office.

All this should be put in perspective. The headlines understandably focus on large firm liability cases, yet firms comprising 50 or more partners number just 18 out of the 17,000 accountancy practices in England and Wales.

The statistics on litigation against smaller firms are frightening. Any firm has a 1-in-4 chance of being sued in 1994, with the most regular heads of claim being negligent tax advice, non-detection of employee fraud, and issuing defective accounts to banks and other lenders.

There is no mitigation here. Rising premiums reflect the very trend described in the institute's recent report to the Department of Trade and Industry, which is that, by and large, the standard of auditing is well below public expectation and professional standards.

Putting it simply, in most cases auditors are sued for negligence for no reason other than that they are negligent.

Emile Woolf is litigation services partner at Kingston Smith.

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THE COMPANY
- One of Europe's largest travel and leisure groups.
- Quoted British Plc. Market leading brands.
- Dynamic, new management team.

THE POSITION
- Key role to improve management reporting. Facilitate incisive information flow to strict reporting deadlines.
- Full responsibility for consolidation, financial analysis, management and control.
- Build relationships with senior management and external advisors.

QUALIFICATIONS
- Ambitious graduate ACA. Big 6 background. Ideally aged 30s.
- Broad financial management experience, gained from diverse, tightly controlled organisation. Possible backgrounds include retail, services, manufacturing or hospitality.
- Energetic and assertive with breadth of vision. First class interpersonal skills. Able to influence others.

Please send full cv, stating salary, Ref N0792
NBS, 54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD
a BNB Resources plc company

N·B·S

London 071 493 6392
Aberdeen • Birmingham • Bristol • Edinburgh
Glasgow • Leeds • Manchester • Slough

FINANCE & TREASURY CONTROLLER

CHELTENHAM — **c£40,000 + Car + Bonus**

Kraft Jacobs Suchard was created in 1993 from the combination of Kraft General Foods Europe and Jacobs Suchard and is part of the second largest food company in the world. The Company is a leading European producer and markets a wide range of high quality food products including cheese, coffee and confectionery. In the UK we employ over 3000 people and have a turnover in excess of £550 million.

An outstanding opportunity has now arisen for a Finance and Treasury Controller to join our highly professional finance team based in Cheltenham. Reporting to the Group Finance Director, responsibilities will include: cash management, banking, currency hedging, pension, payroll and insurance administration, company VAT and employee taxation. In addition this position will provide support on business acquisitions and divestments.

Applicants, educated to degree standard, will be high calibre, qualified accountants with several years experience in, and application of, financial accounting (UK and US GAAP), treasury management, UK taxation and with knowledge of pension fund law. Strong communication and presentation skills combined with demonstrated commercial acumen are important prerequisites.

In return the Company offers an excellent package including negotiable basic salary (dependent on experience), a performance related bonus scheme and a comprehensive relocation package if necessary. This is an outstanding opportunity for a high talent individual to join a highly successful and ambitious company.

Interested candidates should write, enclosing a comprehensive C.V. in the strictest confidence, to our Retained Consultant at Kraft Jacobs Suchard, St Georges House, Bayshill Road, Cheltenham, GL50 3AE. Please quote reference FTC08.

Kraft Jacobs Suchard

KRAFT · KENCO · TERRY'S · Suchard · Maxwell House · Birds

Chief Financial Officer

Poland

US $60,000
+
Performance Bonus

The Company
The company is the largest in its field within Poland, employing over 400 staff and well poised to take advantage of the rapid economic growth which Poland is experiencing. The company is technology led and market driven to meet customers' requirements. Turnover for 1994 is expected to exceed US$10 million.

The Role
The successful candidate would be part of a small senior management team. The main responsibilities are to implement Western style financial management, accounting and management information systems, that will enhance executive control and planning. Your responsibilities would not be confined to the accountancy function as the position offers an excellent opportunity to participate in the future development of the company.

The Candidate
You will be a professionally qualified accountant. A team player, you will have a track record of achievement with knowledge and experience of Western accountancy practices including capital investment and project evaluation. Familiarity with local accountancy laws would be an advantage as is a working knowledge of Polish.

Please send a full resumé with covering letter quoting reference FT2138 on all correspondence to address/fax below. All responses will be treated in strictest confidence.

ANTAL INTERNATIONAL
Executive Recruitment
Riverbank House • Putney Bridge Approach • London SW6 3JD
Tel: +44 (0) 71 371 9191 • Fax: +44 (0) 71 731 8160 (24 hrs)

FINANCIAL DIRECTOR

c.£40,000 + CAR — YORKSHIRE

Our Client is a highly profitable c£20m turnover subsidiary of a quoted British PLC, with group revenues exceeding £2Billion. The business is a process and distribution service company, providing a high frequency and quality service to a wide ranging industrial customer base.

The company wish to appoint a Financial Director, to drive forward the key performance issues relating to financial/commercial objectives. These include optimization of contract profitability, evaluation of key customers strategic direction and the commercial response to market developments.

Reporting to the Managing Director, the appointee will manage the provision of all financial services and systems for the control and development of the business. Strategic planning and group reporting to the highest standards are equally critical elements of the role.

Candidates must be qualified accountants with strong commercial instincts and the proven potential to progress to a general management role. Total competence in managing the financial process is prerequisite.

Applicants should have Financial Director level experience, operating in an industrial service related sector, although a business services background will be relevant.

The company and group offer an excellent career opportunity and stimulating management environment. The remuneration package is very competitive, and will include a performance element in addition to basic salary and a range of senior level executive benefits.

Interested applicants should write, enclosing career details to John Sheldrake at JOHN SHELDRAKE ASSOCIATES, 47 High Street, Little Abington, Cambridge CB1 6BG. Tel: 0223 893910 Fax: 0223 893901.

John Sheldrake Associates
Executive Search & Selection

Corporate Finance Accountant

Acquisitive PLC

Midlands — c£30,000 + car+ benefits

Our client is a substantial Midlands based plc whose interests extend across several market sectors. The Group has made significant acquisitions in recent times and further growth is planned.

Working within a small mergers and acquisitions team, your prime responsibility will be for financial due diligence in respect of acquisitions, but you will also carry out various other investigations. You will prepare financial reports and forecasts and assist with assimilating acquisitions into the Group.

You must be qualified (ACA, ACMA, ACCA) with several years' experience in a responsible financial role within a well managed manufacturing business, ideally in engineering. You will be technically competent with a sound working knowledge of cost, management, and financial accounting. Excellent interpersonal skills, together with above average intellect, commercial acumen and PC literacy, are essential. The preferred age range is late twenties to mid thirties. Ability in a second major European language would be an asset.

We can offer a high profile job in a stimulating environment and genuine career development opportunities. The benefits package includes an attractive salary, fully expensed car, medical insurance, and bonus.

Quoting reference 40031, please send a CV and covering letter explaining how you satisfy our requirements to Neil Robertson, MSL International Limited, Quadrant Court, 50 Calthorpe Road, Edgbaston, Birmingham, B15 1TH. *Please list on a separate sheet any companies to which you do not wish your details to be sent.*

MSL International
CONSULTANTS IN SEARCH AND SELECTION

DIRECTOR OF FINANCE AND ADMINISTRATION

£43,500 + PRP (up to 10%)

The Government has recently established a Housing Action Trust for the Castle Vale estate in Birmingham. It is expected that the Trust will take over some 3,500 tenanted properties from the City Council in the Spring, and will thereafter manage, repair and improve them. Working in close partnership with residents, other agencies and the private sector, it will build new properties and improve existing ones to produce good quality and secure homes, enhance local training and employment opportunities, improve the environment, and encourage community involvement.

The new Chief Executive has now started and needs to establish an organisation with an annual revenue budget of some £6m, and a capital spend of £130m over the next few years. A dynamic and highly experienced Finance and Admin Director is now required to recruit and manage this new function, implementing all the necessary policies, systems and procedures.

A qualified Accountant with both public and private sector experience, ideally gained in the housing or construction industry, you must be used to introducing modern management and financial control systems, long-term corporate planning, and substantial capital expenditure projects. You must also have experience of government accounting and funding, together with outstanding administrative skills.

An empathy with the objectives of HATs, coupled with an open, participative, action-oriented style and a presence which gains immediate respect and support, is essential. The benefits include a basic salary plus a performance related bonus, together with relocation assistance, where necessary. The contract will initially be for a period of three years.

Please send full career details, with a covering letter, indicating your current remuneration, explaining why your application should be preferred, and quoting **Ref: 5484/DJD/FT** to David Dewhirst, **PA Consulting Group**, 6 Highfield Road, Edgbaston, Birmingham B15 3DJ. Tel: 021-454 5791. *Castle Vale Housing Action Trust is an equal opportunities employer.*

Castle Vale Housing Action Trust

PA Consulting Group
Creating Business Advantage
Executive Recruitment · Human Resource Consultancy · Advertising and Communications

ACA CAREERS EVENING

Bankers Trust Company

S.G.WARBURG

Baring Securities

JPMorgan

CITIBANK

FINANCIAL SERVICES

Harrison Willis has great pleasure in inviting qualified ACA's with up to 3 years' post-qualification experience to attend an informal Careers Evening at the Barbican.

Representatives from several banks and financial institutions will be on hand to discuss individual career opportunities within their organisations.

Thursday 3rd March 1994
6.00 - 9.00 p.m. *Drinks & Buffet*
Guest Speaker
Entrance by invitation only

For full details and to reserve a place, please contact **Gary Hall, Robert Macmillan or Gary Johnson** on **071-629 4463** (evenings & weekends **0480-433491**).

PE2 HOTLINE 071-629 4463
9.30 - 11.30 p.m. on Friday 18th February 1994

30 YEARS IN CAREERS

HARRISON WILLIS
FINANCIAL & LEGAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle Street, London W1X 3FD. Tel: 071-629 4463
LONDON • READING • GUILDFORD • ST ALBANS • BRISTOL • BIRMINGHAM

30 YEARS IN CAREERS

Finance Director

Kent **c £50,000 + Car + Bonus + Options**

Our client is a rapidly expanding, highly profitable, £20 million turnover, international plc engaged in the design, manufacture and marketing of leading edge electronics for worldwide blue chip customers.

The Finance Director will be responsible for financial management, systems development, corporate finance, international tax and treasury, ensuring that comprehensive control and reporting procedures exist in all areas of the business. As a member of a small executive team, the primary requirements will be to maintain a strong interface with City analysts and institutional investors and to contribute to the company's overall commercial strategy, maximising the potential for future global expansion.

Candidates, aged 33 to 40, should be qualified accountants with broadly based experience gained at a senior level in an international, computerised, manufacturing environment. Commercial maturity and excellent communication skills, combined with high levels of enthusiasm, commitment and drive will be essential characteristics.

Interested applicants should forward a comprehensive curriculum vitae, quoting ref 178723, to **Mark Hurley ACMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

RECKITT & COLMAN

Assistant Group Treasurer

West London **c £33,000 + Car + Bens**

Reckitt & Colman is a dynamic multi-national business specialising in the manufacture of fast moving consumer goods. The company has a global turnover of approximately £2 billion derived from a product base encompassing the household and toiletry, pharmaceutical and food market sectors.

Due to an internal promotion, we are seeking to recruit a high calibre individual to play a significant role within the group treasury function.

You will report directly to the Group Treasurer and will have responsibility for:

- assisting the Group Treasurer in developing a group financing policy
- managing finance arrangements overseas and advising operational management on financing techniques
- investment of surplus funds and management of borrowing
- managing foreign currency risk and exposure
- analysis and reporting of financial information
- treasury and accounting systems development
- advising management in all areas of the business on treasury related issues
- staff management.

As a prospective candidate you are likely to be a qualified accountant, ideally with at least one year's treasury experience. Great emphasis is placed on the ability to communicate effectively at senior management/director level, which should be combined with a high degree of motivation and ambition.

This position is seen as an excellent opportunity to join a marketing led and expanding "blue chip" company in a high profile role with excellent future prospects.

Interested applicants should write, enclosing a comprehensive Curriculum Vitae and daytime telephone number, to **Norrie Sinclair at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH** quoting ref. 170421.

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

Leicestershire Mental Health Service NHS Trust

Finance Director

Leicestershire **c £40,000 + Leased Car + Bens**

Leicestershire Mental Health Service is one of the largest Mental Health Service organisations in the United Kingdom, providing services and mental healthcare to a population of around 900,000. The unit will achieve NHS Trust status with effect from 1st April 1994 and now seek to recruit a Finance Director.

The Finance Director will report directly to the Chief Executive and the Trust Board. The successful candidate will have full responsibility for an annual Budget of £45 million, as well as responsibility for a five year financial strategy which encompasses major capital developments and shifts in revenue to meet service changes.

Initial key objectives will be:

- to ensure that the Trust achieves its annual and future financial targets within spend limits
- to provide timely and accurate financial reports to the Trust Board
- to prepare/develop/implement procedures and systems that ensure financial control.

The successful candidate must be:

- a qualified accountant (CIPFA, ACMA, ACA, ACCA), technically strong and experienced in implementing financial, management and information systems
- an effective and committed team member
- a resilient, dynamic, commercially aware manager with excellent interpersonal and communication skills, who is able to deal with people at all levels
- capable of dealing with a wide range of issues and be genuinely interested in Mental Health Care.

In return, our client offers an excellent remuneration package including full relocation if required.

Our client is working towards equal opportunities.

If you feel you have the necessary skills and drive, please write with a comprehensive Curriculum Vitae to **James Newman, Michael Page Finance, Imperial Building, Victoria Street, Nottingham NG1 2EX.**

MP

Michael Page Finance

Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

European Financial Controller

CENTRAL LONDON **£35,000 – £40,000 + benefits**

Part of a North American quoted multinational, our client is a project management, engineering, procurement and construction company servicing the petroleum exploration and production industry. Its ground breaking approach and the strength and quality of its technical expertise continues to ensure the organisation wins large capital projects and retains its competitive edge. The European Financial Controller will be expected to contribute, as part of a young, dynamic management team, to the future progress of the company.

Reporting to the European Managing Director, and in close liaison with the Group Chief Financial Officer, you will have complete responsibility for all UK and European financial, accounting and treasury matters. Working closely with senior management, you will assume control of the planning and budgeting process, be closely involved in costing and project pricing and will advise on contractual issues.

You should be a qualified accountant with relevant financial and management accounting experience, including costing, gained in an industrial environment. Knowledge of UK tax and exposure to commercial contract negotiations are essential. You must be adaptable, and able to demonstrate an innovative approach. Experience of working with bright, creative technical staff would be useful.

If you feel you have the ability to contribute at senior management level in a demanding role, please send an up-to-date CV, including current remuneration level and daytime telephone number, quoting reference 3368 to Sue Atkinson, Touche Ross Executive Selection, Friary Court, 65 Crutched Friars, London EC3N 2NP.

Touche Ross

MANAGEMENT CONSULTANTS

Coopers & Lybrand | Executive Resourcing

Internal Auditor

Music Industry

LONDON W1 **TO £40,000 + CAR + BENEFITS**

This is an outstanding opportunity for an audit professional to really make his/her mark within this service oriented, high volume transaction based organisation. With over 700 staff and five regional offices, the business is undergoing a period of significant change and development and the formation of a new internal audit department is seen as a key element in these changes.

Reporting to the Chairman, the challenge of this newly created role is to establish and develop an operational audit function focused on business effectiveness and best practice. An early priority will be to undertake an internal audit needs assessment and develop a strategic plan to address those needs.

You will be of graduate calibre with solid audit experience and a service industry background. Your training may have been gained within a big six firm, the public sector or within the audit function of a substantial group. A practical knowledge of control procedures and review techniques is essential together with previous experience of auditing systems around computers.

Your approach is as important as the abilities you bring to the role. Self reliance and tenacity will be combined with the interpersonal skills necessary to influence and persuade at senior levels.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Ann Shepherd, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN, quoting reference AS1014 on both envelope and letter.

Coopers & Lybrand | Executive Resourcing

Finance Director

EAST MIDLANDS **c £45,000 + BENEFITS**

This independent and highly successful £25 million turnover company has gone from strength to strength on the back of a quality manufactured product supported by excellent service. Growth is continuing with increased emphasis on continental markets where the service is unique.

The Finance Director necessary to help control this growing business will have to bring first class systems skills together with a commercial approach as you will play a full part in the management of the company. There is a need to upgrade the management information used to support the business and to ensure that it is fully understood and acted upon by the non-financial managers.

Applicants should be qualified graduate accountants who can demonstrate hands-on experience in a fast moving manufacturing environment where timely, accurate and appropriate management information is taken as read. You should have excellent communication and motivation skills and experience of working in a mainland European environment would be a distinct advantage.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to John Elliott, Coopers & Lybrand Executive Resourcing Ltd, 43 Temple Row, Birmingham B2 5JT quoting reference JE263 on both envelope and letter.

NEWLY QUALIFIED ACCOUNTANT

London **to £40,000 Package**

This leading International Investment Bank has a dominant presence in the international Capital Markets with principal offices in London, Tokyo, New York and Hong Kong. It has a reputation for offering unparalleled opportunities for self- motivated individuals with the ability to respond positively to the competitive pressure of a fast moving international business.

Responsibilities will include:

- Specific assignments at the request of senior management
- Constant liaison with traders and back office
- Analytical review of new derivative products and trading strategies
- Production of daily position and profit and loss reports for senior management

You will be a qualified accountant (ACA/ACCA or ACMA), aged to 30. You will have a successful track record, with exposure to investment banking gained via audit or in a line role. You will possess excellent communication skills and be prepared to take a proactive approach in your dealings with a variety of departments.

To discuss this outstanding opportunity please contact **Jon Vonk** or **Mike Shoebridge** on **071 408 1312** (evening/weekends **071 720 1527**). Alternatively write to them at the address below quoting ref 5736.

MARKS • SATTIN
FINANCIAL RECRUITMENT CONSULTANTS
18 HANOVER STREET, LONDON W1R 9HG. TEL: 071-408 1312, FAX: 071-355 4501

LLOYD MANAGEMENT

Group Audit

BUSINESS & IT REVIEW

Central London

to £40,000 + car + financial benefits

With a comprehensive range of substantial businesses, our client is one of the world's largest and strongest financial services groups.

In this key role in the group's high profile audit team emphasis will be on the assessment of control risk in a business context. Projects will involve close contact with all levels of financial and operational management on a range of systems and business oriented reviews in the UK and, on occasions, overseas.

Qualified accountants aged c27/35 with proven computer and operational audit experience, applicants should have strong analytical, reporting and communication skills and the ability to place findings in the wider business perspective.

Salary is negotiable according to age and experience.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/96/F.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 071-405 3499

Financial Accountant

Buro Happold, the award winning international professional civil and building engineering consultancy practice with headquarters in the beautiful Georgian world heritage City of Bath, seek a Financial Accountant to head their accountancy operations.

The practice is organised as a partnership and several limited companies. The Accountant will report directly to the Finance Partner and will be responsible for the development and operation of the financial accounting and project costing systems throughout the firm.

Age is not important but it is expected that applicants will have at least five years experience in a position of responsibility, preferably in a similar type of work environment. First hand knowledge of budgeting and financial planning, appropriate cost control techniques, the preparation of monthly management and final accounts and computerised systems is essential. The position is pensionable and the salary negotiable, dependent upon qualifications and experience.

Applicants interested should write with full cv, stating current salary, to:

Roderick Macdonald
Buro Happold
Camden Mill
Lower Bristol Road
Bath BA2 3DQ

Tel 0225 337510

GROUP FINANCIAL CONTROLLER

NORTH WEST LONDON DISTRIBUTORS OF PACKAGING PRODUCTS

Responsible for all aspects of financial control including detailed management reporting. The successful candidate should have a high degree of computer literacy and commercial awareness and be energetic and flexible.

CV to fax 071 224 5430 Quoting Reference HGT.

Michael Page PE2 Results
071 831 2000
Friday, 9.30pm onwards

Finance Manager

Central Asian Republics

The main activities of Lonrho CIS in the Central Asian Republics are motor trading and representative office support for other group businesses, such as gold mining and printing.

The position, based in Tashkent, involving travel to neighbouring republics, is a new one. The main responsibilities are to manage our local accounting functions and to take a leading role in regulatory and commercial administration. There is a particular need to assist in setting up a local company for Lonrho's recently announced gold mining project in Uzbekistan.

We seek a qualified accountant, preferably single, who has worked abroad, and with experience of motors or mining. Knowledge of Russian is not essential but · aptitude for languages would be advantageous.

A tax efficient package of c. £40,000 p.a. is offered plus normal expatriate benefits.

Please apply, with full career details, quoting reference No. V.691. to:-

Mr. J. H. Gladwin, LONRHO Plc
Cheapside House, 138 Cheapside
London EC2V 6BI.

Applications which do not meet the stated Candidate requirements will not be acknowledged.

CHIEF ACCOUNTANTS

Czech Republic
(Base Prague) Ref. 1938

Poland
(Base Warsaw) Ref. 1939

Our client is a leading multinational in the ir. mation technology sector. They have a long record of successful activity in Central and Eastern Europe. Through their foresight and tenacity they have remained at the vanguard of a rapidly evolving market. For the next stage in their own evolution they are looking to recruit chief accountants who can combine knowledge of western techniques with understanding of the local culture. Reporting to the local Finance Director you will be responsible for all accounting, international and local reporting, administrating controls and information systems, financial planning and analysis. You will oversee a small team and you will be expected to exercise a high degree of man-management understanding.

The successful candidate will possess the following:

- A degree followed by an accounting qualification.
- At least 3 years broad-based multinational finance experience.
- Fluency in English and the local language.
- Strong technical, analytical and organisational skills.

You must be able to thrive in what is an unstructured and de-centralised environment. You must combine an operational approach with an ability to prioritise strategic issues. The achievers will be rewarded with a competitive remuneration package and opportunities for career progression in this dynamic group.

Opportunities also exist in the medium term in the following locations:

Hungary (Base Budapest) Ref. 1940

Romania (Base Bucharest) Ref. 1941

Bulgaria (Base Sofia) Ref. 1942

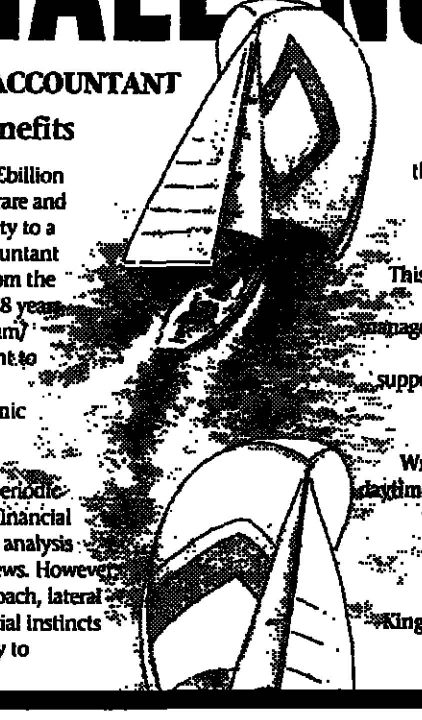
Interested applicants should write in confidence, quoting the relevant reference to our advising consultant **Rod Bailey at Nicholson International,** (Search and Selection Consultants), Africa House, 64-78 Kingsway, London, WC2B 6AH. Alternatively fax your details on **071 404 8128** or telephone **071 404 5501** for an initial discussion.

NICHOLSON INTERNATIONAL UK

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Romania Russia

The Top Opportunities section appears every Wednesday. For more information please call Philip Wrigley on 071-873 3611

TAKE UP THE CHALLENGE



CHARTERED ACCOUNTANT

c.£29,000 + Benefits — C.London

This world renowned £billion British group, offers a rare and challenging opportunity to a young Chartered Accountant seeking a first move from the profession. Age up to 28 years currently with a medium/ large firm, you will want to apply your skills in a competitive and dynamic environment.

The brief will include periodic accounts preparation, financial appraisals, cost/benefit analysis and major project reviews. However your flexibility of approach, lateral thinking and commercial instincts will contribute not only to the business, but your career development within the group.

This challenge will allow you to fulfil your management potential. The negotiable salary is supported by an excellent benefits package.

Write with full CV and daytime telephone number to Patrick Donnelly, quoting ref: FT/111. PD Consultants, 23 Durlston Road, Kingston-Upon-Thames, Surrey KT2 5RR.

Financial Management Opportunities within an International Business

c£30,000 + ar + benefits ~ Hounslow

OKI Europe Limited, a subsidiary of Japan's OKI Electric Industry Company Limited, is a rapidly expanding, dynamic electronics company serving the whole of Europe, with a turnover of £250m. Further to recent restructuring, the following key vacancies have arisen at our Hounslow site. On joining our successful team you will enjoy an informal environment where initiative and decision making are key qualities in meeting our aggressive expansion plans.

Financial/Corporate Accountant

Responsible for the consolidation of OKI Europe Limited. on a monthly basis, you will deal with all accounting within OKI Europe as well as the associated computer systems. Qualified to ACCA/ACMA level, you must have a minimum of 5 years' post qualification experience preferably gained within a pan-European organisation. Able to work in a team based culture, you will be flexible, accurate and an excellent communicator.

Group Management Accountant

Using sophisticated modelling techniques, you will update the Group's forecasting model and prepare consolidated 3 year plans and budgets. Responsible for integrating Logistics into specified financial forecasts, you will report to Management on issues as required. A qualified accountant with at least 5 years' post qualification experience in Management, Financial Accounting and Country Operations, it is essential that you have experience of spread sheets, preferably Excel, and good communication skills.

Group Treasurer

Controlling OKI Europe's foreign exchange management and minimising its exposure, you will prepare and manage the Group and HQ's cash flow, and liaise with OKI Japan and OKI Systems companies on banking relations and cash flow forecasts. You must have previous experience in treasury within a multi-national organisation and have a flexible, team orientated approach.

All roles offer excellent prospects for further career development and are rewarded by attractive salaries as indicated. To join this growing, pan-European company, send a full CV, stating clearly which position you are applying for, to: Martin McCrindle, Personnel Manager, OKI Europe Limited, Central House, Balfour Road, Hounslow, Middlesex TW3 1HY.

OKI
People to People Technology

BDP

CHIEF ACCOUNTANT

Competitive salary package + car — Manchester

Building Design Partnership is a multi-disciplinary building design consultancy employing over 700 staff in five regional offices throughout the UK and with interests in Europe.

As Chief Accountant, you will be responsible to the Business Partner for the accounting function within the Central Business Support Services, which is currently based at Preston but will be relocating to a Manchester city centre office in April 1994. Early priorities will include involvement in the team implementing a new integrated accounting and job costing suite of computer programs.

The ideal candidate will be a Chartered Accountant with 5 to 10 years post qualification experience, solid technical skills and computing knowledge, who is able to communicate well with non accountants, is hard working, flexible and able to travel. Some experience of managing staff and of working in a people business would be preferable.

The post offers room for advancement provided there is a willingness to learn the firm's culture and to develop in the role. It attracts a competitive salary, overtime, travel allowance or company car and membership of both a contributory pension scheme and BUPA. Assistance with relocation is available if appropriate.

Applicants should write with full CV, stating current salary to: *Mr J R Parker, Business Partner, Building Design Partnership, Vernon Street, Moor Lane, Preston PR1 3PQ*

GUINNESS PLC

MANAGER - GROUP REPORTING SYSTEMS

CENTRAL LONDON

c.£40,000 pa + Quality Car + Benefits

Guinness PLC is one of the UK's leading consumer goods companies with a turnover in excess of £4bn. With the most outstanding portfolio of premium drinks brands in the world, including Johnnie Walker, Bells, Gordon's Gin and of course, Guinness, the world's most celebrated stout, Guinness PLC is one of the few truly global beverage businesses.

An exceptional opportunity has arisen for a qualified finance professional to manage our worldwide monthly and statutory reporting systems. Based within Group Financial Control and heading up a team of four, you will utilise your accounting and systems expertise to ensure that all applications are maintained to the highest standards to reflect the developing reporting needs of a dynamic, global company. Reporting to and working closely with the Group Chief Accountant, you will also be involved in long term planning and commercial issues.

The successful candidate will possess the following:

- Top ten trained graduate ACA with first time passes and at least five years post-qualification experience.
- Consolidation and management reporting experience gained with a multinational plc.
- Experience of managing or implementing management and statutory reporting systems.
- Strong interpersonal skills and the ability to manage and motivate a high-calibre team to agreed objectives.

In return, Guinness PLC offers a competitive salary, quality car, profit share, pension scheme and BUPA.

Interested candidates should write in confidence to our advising consultant **Andrew Livesey,** quoting reference number 1937 at **Nicholson International** (Search and Selection Consultants), Africa House, 64-78 Kingsway, London WC2B 6AH. Alternatively fax your details on **071 404 8128** or telephone **071 404 5501** for an initial discussion.

NICHOLSON INTERNATIONAL UK

France Italy Holland Spain Germany Belgium Turkey Poland Czech Republic Hungary Romania Russia

FINANCE MANAGER

London — **Up to £30k plus competitive package benefits**

THE COMPANY

- A successful international group
- Highly regarded in telecommunications
- Operations: Europe and the Pacific Rim
- Recent rationalisation of head office management roles

THE QUALIFICATIONS

- Experienced accountant
- Exceptional analytical and controller skills
- Commercial awareness
- Experienced in programming and modelling
- Good communications skills
- Quick-minded strategic thinker
- Exposure to European accounting and taxation, and a second European language would be advantage.

THE POSITION

- Reporting to the Chief Financial Officer, under whose direction;
- Analyse and report on subsidiaries' and associates' monthly Management Accounts
- Prepare consolidations to high and consistent standards
- Meet and improve tight reporting deadlines
- Liaise with auditors, professional advisers, bankers
- Control international treasury
- Develop integrated systems
- Assist in the preparation and evaluation of business projects and capital expenditure proposals
- Travel, often at short notice

Please reply in confidence to Finance Manager, Box B2280, Financial Times, One Southwark Bridge, London SE1 9HL, sending a full curriculum vitae including details of current remuneration, and a short letter explaining why you think you would be suitable for this position.

FINANCIAL CONTROLLER

Leading Consulting Engineers in Central London seek a qualified accountant aged 45+ to assist Senior Partner. Package C £32K for hands on, innovative and experienced professional.

Write including full CV to Box B2279, Financial Times, One Southwark Bridge, London SE1 9HL.

APPOINTMENTS WANTED

FINANCIAL/COMMERCIAL DIRECTOR
Business Graduate/Chartered Accountant innovative, good management track record with broad commercial and financial experience including entertainment, media & technology in corporate (blue chip) and private sectors. Specialist knowledge in copyright, publishing, contracts and licensing.
Assignments or permanent post considered (UK or Expatriate).
Write to Box B2277, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCE DIRECTOR
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Applicants

1. must be qualified accountants with at least 5 years post qualification experience at senior management level, preferably in both commercial and public sector organisations; and
2. must have experience of working in an environment of change and be familiar with the development and implementation of financial and management information systems.

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More detailed information, together with an application form may be obtained by writing to or telephoning (quoting the job reference SB 16/94), the Civil Service Commission, Rosepark House, Upper Newtownards Road, Belfast BT4 3NR (telephone Belfast 520400 Ext 26702).

Completed application forms should be supplemented by a detailed CV and must be returned to the above address to arrive not later than 11 March 1994.

NICS Northern Ireland Civil Service Commission

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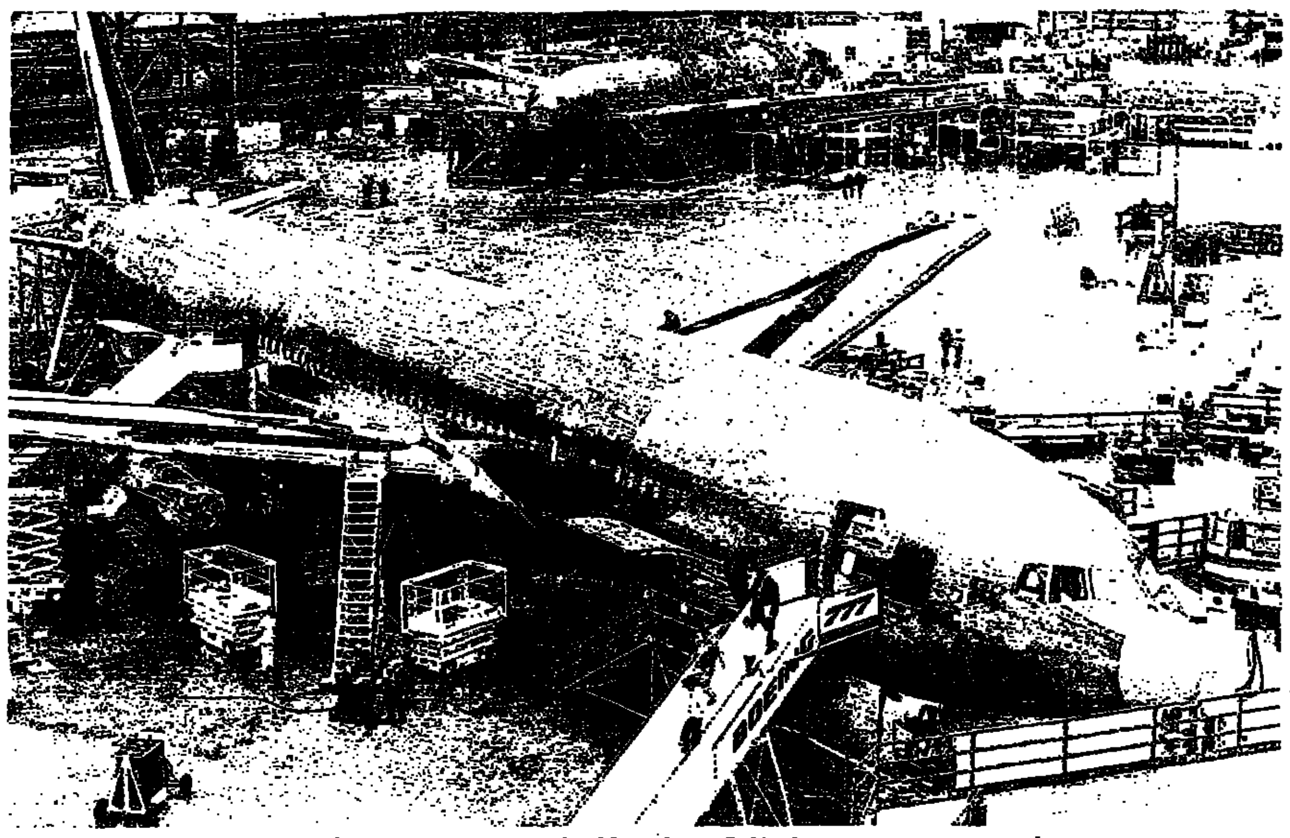
INSIDE
Why Hong Kong's new airport plans are running aground

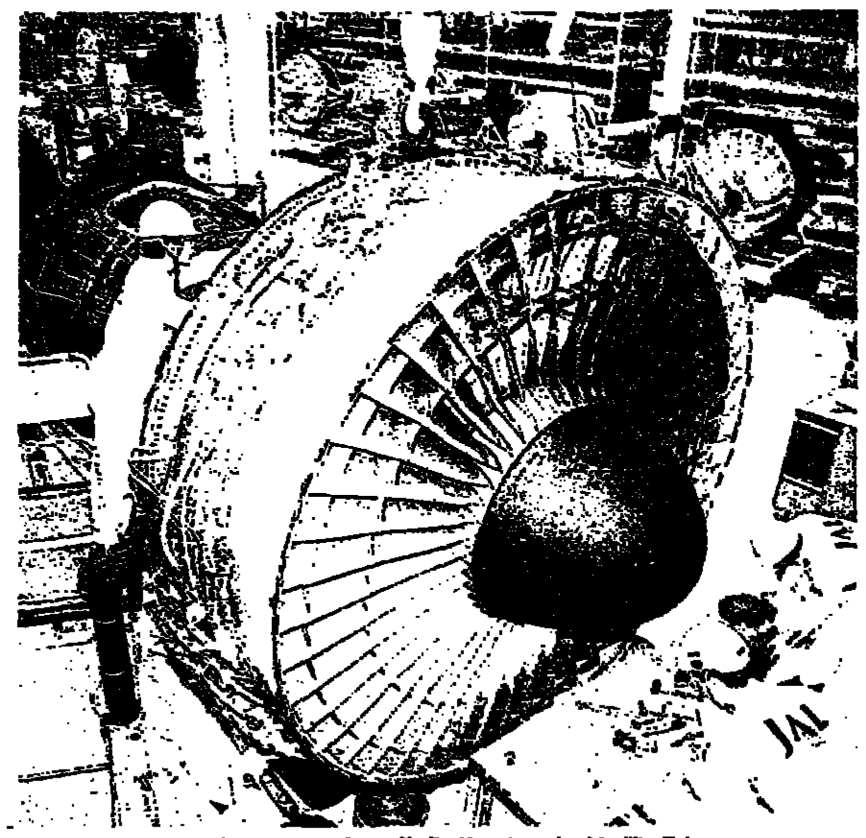
ASIAN AEROSPACE

INSIDE
Taiwan: down to earth with a bump

Friday February 18 1994



Boeing's first 777 is due to roll out in April. About 20 per cent of its airframe is supplied by Japanese aerospace companies



Japan Airlines workers inspect an engine at Narita Airport overhaul facility, Tokyo Glyn Genin

Growth region ready for take-off

Commercial aircraft manufacturers expect the area to outperform other markets over the next 20 years, while defence contractors see it as their top growth area, writes Paul Betts

The aerospace industry is gathering en masse in Singapore next week for what promises to be the biggest Asian Aerospace show ever staged.

Although the industry is still in a state of turmoil because of the financial losses of airlines and the deep defence cutbacks following the end of the cold war, interest in what has become the world's third largest international air show after Farnborough and Paris has continued to grow for two fundamental reasons.

■ Commercial aircraft manufacturers expect the Asia-Pacific region to outperform every single other air transport market *during the next 20 years.*

Boeing, the biggest manufacturer of commercial jets, forecasts that after the turn of the century the region will overtake the US as the world's largest commercial jet market with annual deliveries of new aircraft averaging $16bn from 2001 to 2010. Japan and China are set to become the two largest markets outside the US. And about 40 per cent of the future requirement for the new generation of large widebody aircraft now under development will come from the region.

■ *Defence contractors are also stepping* up their export drive in Asia, especially at a time when defence sales to the Middle East appear to be peaking. Asia-Pacific has now become the only area in the world where the defence market is showing strong growth.

That reflects the size, diversity and political volatility of the entire region, with its specific pockets of contention such as the Spratly Islands in the South China seas and its broader areas of tension and concern including North Korea, the overwhelming size of the Chinese armed forces, the military power of India and the potential military resurgence of Japan.

Already by next year, British Aerospace, the UK defence contractor, which has traditionally relied very heavily on the Middle East for its exports, expects about 15 per cent of its defence sales to come from the region compared with 6 per cent last year. Asia-Pacific has also become the UK company's biggest export customer for Hawk trainer-fighter aircraft, with Indonesia alone placing last year a £500m order for Hawks.

Competition for defence business has further intensified with increasing efforts by Russia to penetrate Asian markets. Malaysia last year became the first southeast Asian country to order Mig 29s from Russia.

The strong demand for civil and defence aerospace equipment has opened a third related market in the region, providing the necessary aviation and military infrastructure to support the growth of air travel and defence sales.

Without heavy investment in new airport capacity and modern air traffic control systems, the anticipated annual growth in air travel, which according to the European Airbus aircraft manufacturing consortium is likely to average around 8.6 per cent over each of the next 10 years, risks being clipped.

"The big problem for the future of civil aviation in the region is congestion at airports like Narita and Osaka in Japan, Hong Kong, and Bangkok, to name but four. If congestion grows, it will hold back growth. It is not a country issue nor a regional issue, but an international issue," warns Mr Kim Cheung, a Boeing project director for market research.

Infrastructure is an equally important *component of defence sales. In some cases,* the provision of military infrastructure and services can account for as much as and sometimes more than the value of the original export contract for military aircraft or other defence equipment.

Overall, the potential market in Asia for civil and military infrastructure is likely *to become as big as the market for aircraft* themselves. The combination of this strong demand for civil and military aerospace equipment as well as the necessary infrastructure to support this growth has also encouraged the Asia-Pacific countries *to invest in the development of indigenous* aerospace industries.

Indonesia, Malaysia, Singapore, South Korea, Taiwan, China and Japan have all sought to expand their presence in the aerospace industry through increased col*laboration* with western airframe, aero-engine and components and systems manufacturers as well as through their own programmes. Established western aerospace groups have also been keen to seek new collaborations and joint ventures with Asian partners to strengthen their presence in the growing regional market for *commercial and defence equipment.*

Interest has been particularly focused on China, the region's fastest growing market, where domestic air travel has been showing astonishing 30 per cent *annual growth rates during the past few* years. China's aviation industry has been growing at breakneck pace ever since the government eased regulatory controls in the 1980s. China was Boeing's largest single customer last year taking delivery of 47 aircraft. It has also been a big market for Airbus and the US McDonnell Douglas group.

Boeing, Airbus and McDonnell Douglas are all proposing close industrial co-operation projects with China, which is at the same time considering joining in a regional project to set up what has become known as the "Asian Airbus". This would involve collaboration modelled on the European Airbus partnership system between China, South Korea and India, and possibly other Asian partners to develop 50 or 100 seater regional aircraft.

Indonesia is also exploring possibilities with British Aerospace to develop turbo-propeller regional and commuter aircraft. However, BAe's efforts to form a regional jet joint venture with Taiwan Aerospace now appear to have collapsed.

Although China is now outstripping all the other Asian countries in terms of growth, Japan is still expected to be the largest single customer outside the US for commercial aircraft despite the country's current economic difficulties. Since the beginning of jet travel, Japan has ordered more than 637 airliners worth about $44bn. Boeing expects the Japanese market will absorb another $60bn worth of airliners between now and 2010.

Japanese aerospace companies have been working with Boeing for the past three decades and have become important suppliers to the US company. The big three Japanese companies, including Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries, supply about 15 per cent of the value of the Boeing 767 airframe and about 20 per cent of the airframe for the 777, the new twin engine widebody that Boeing will roll out for the first time in April.

However, Japanese aerospace ambitions suffered a setback this year when Boeing decided to put on ice plans to develop a new 150 seater aircraft, the 7J7, in which the Japanese companies intended to take a 25 per cent equity stake. Instead, Boeing has decided to develop a new version of its 737 family of narrowbody twin engine air-

Continued on Page 2

ASIAN AEROSPACE 2

South Korea has ambitious plans, reports **John Burton**

Passenger aircraft on the horizon

The South Korean aerospace industry is entering an ambitious new phase as the country's leading conglomerates unveil plans to produce medium-sized passenger aircraft in the next few years.

The main aerospace companies - Samsung Aerospace, Daewoo Heavy Industries and Korean Air - have existed until now primarily on the licensed production of US military aircraft and the supply of airliner components to foreign manufacturers. Annual turnover has reached $1bn.

But the government wants the country to develop an expertise in the design and development of aircraft, instead of just assembling foreign models, and transform Korea into one of the world's 10 leading aerospace manufacturers by 2020.

To achieve this goal, the government plans to spend $2bn over the next 10 years on research and development for aviation and space projects. This includes $300m for the development of medium-sized commercial aircraft, considered the first stage for Korea's eventual participation in the international co-production of large passenger jets.

It is a difficult challenge. So far, Korea has developed only military trainers and light aircraft.

A consortium of the country's three main aerospace companies is expected to be formed by May under state direction to develop a commuter airliner with 50 to 100 seats, in co-operation with a foreign partner.

Korea's big business groups are already vying to lead the programme, with three proposed joint venture projects with foreign partners for medium-sized airliners being announced in the past few months.

Samsung Aerospace, Korea's largest aircraft manufacturer, last autumn signed a memorandum of understanding with Aviation Industries of China (Avic), the umbrella group for Chinese aerospace companies, to produce commuter aircraft with 50 to 100 seats.

China and Russia have proved more willing to transfer aircraft technology to Korea than western aerospace companies, which possibly fear a future competitive threat from Asia

The programme, called Phoenix, will begin development this year, with production scheduled to start in 1998. Development funding and engineering will be largely provided by Samsung, while Avic will offer the aircraft technology.

Daewoo Heavy Industries and Korean Air, the country's main airline, have also formed a venture with Avic to produce a medium-sized airliner by 1998. Hindustan Airlines of India and Singapore Airlines are also expected to participate in the $1bn project, called Asian Air Express. A basic programme plan is scheduled to be issued in March. Daewoo has already developed a 33-seat commuter airliner with Dornier of Germany.

But Hyundai Precision & Industry, a new entry into the aircraft industry, may have stolen a march on its rivals by establishing a joint venture with Yakovlev of Russia, which will design and develop passenger aircraft based on the 150-seat Yak42H and the 30-seat Yak40H.

They will be assembled in Korea by Hyundai, which has a 51 per cent stake in the joint venture and will also establish a worldwide marketing and after-sales network. Hyundai Precision is a main producer of transport equipment, such as railway cars and engines.

In return for tapping the superior design and technology capabilities of China and Russia, the Korean companies can provide vital financing and better production technology.

China and Russia have also proved more willing to transfer aircraft technology to Korea than western aerospace companies, which possibly fear a future competitive threat from Asia.

The new Korean projects are seen as part of a wider Asian attempt to reduce the region's dependence on western aircraft manufacturers as air travel in the area increases.

Weak domestic demand has been one main obstacle to the development of the Korean civil aviation industry. But the Korea Aerospace Research Institute estimates that the country may need 170 commuter aircraft within the next 15 years as small airports in the country are improved and expanded. Samsung is also considering starting a domestic carrier to provide a market for its aircraft.

The possible reunification of North and South Korea may increase sales since air travel could partially overcome transportation problems caused by the north's crumbling road and rail networks.

The manufacturing alliance with China will also provide a potentially large market for the Korean companies.

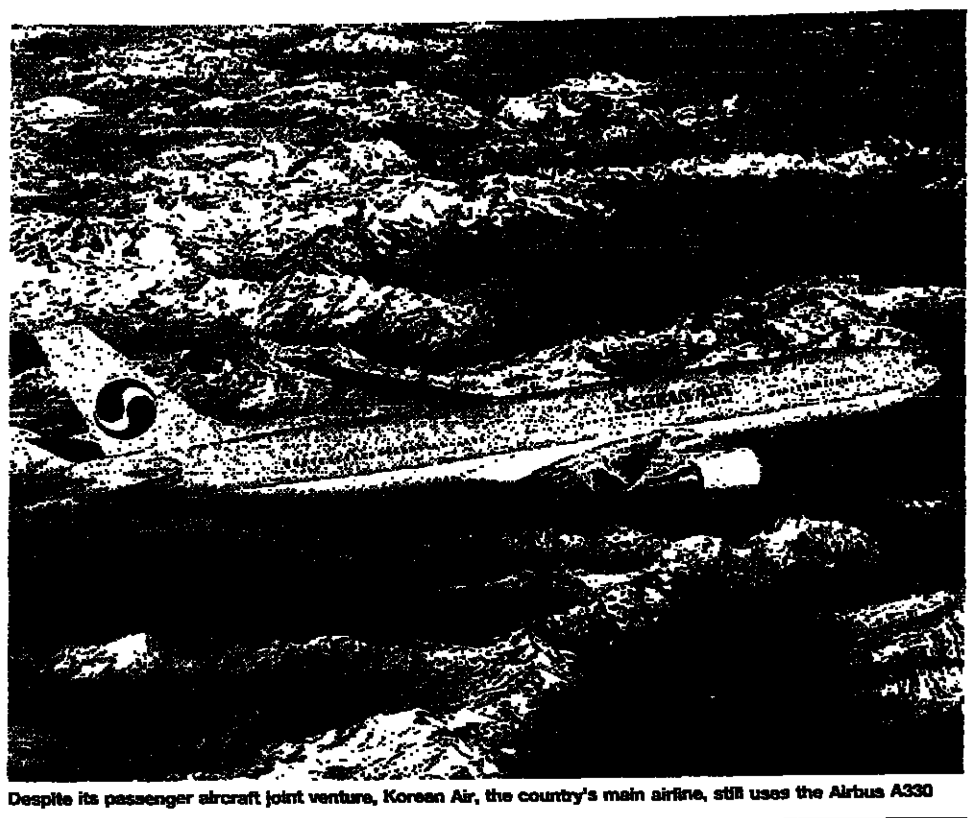
Sales of the mid-sized airliners to the Asian market may reverse the losses that the Korean aerospace industry is now suffering as exports of aircraft components fall due to the downturn in the global aviation industry. The government believes that Korea could capture 10 per cent of the global commuter aircraft market by 2000, with sales of 70 aircraft a year.

In the meantime, the industry depends on military orders to boost sales. Samsung Aerospace, with an estimated 1993 turnover of $395m in aviation-related business, is the prime contractor in the Korea Fighter Programme (KFP), which involves the assembling of 36 US-designed F-16 fighters and the licensed production of another 72, beginning in 1997. Korean Air and Daewoo are KFP subcontractors.

Korean Air is the main supplier of helicopters to the Korean military, with estimated 1993 sales of $358m in the aircraft sector. It has been assembling American-designed UH-60 Black Hawk combat helicopters since 1990.

But Korean Air recently suffered a blow when the government ordered it to transfer the technology and equipment for assembling the helicopter engines to Samsung Aerospace, which is the most advanced among Korean manufacturers in aero-engine technology.

Daewoo Heavy Industries, which had estimated aviation-related sales of $123m in 1993, mainly serves as a subcontractor on military aerospace programmes, though it has built training aircraft.



Despite its passenger aircraft joint venture, Korean Air, the country's main airline, still uses the Airbus A330

■ CHINA'S AVIATION INDUSTRY

Breakneck growth may slow as attention turns to safety

Marred by a series of crashes in the last year, the breakneck growth of China's aviation industry is likely to slow as the country seeks to reverse its image as one of the most dangerous places in the world to fly.

"Investment is being diverted to upgrading airports," says a western executive involved in the Chinese aviation business. "They are concerned about training and safety. That is why there is a slowdown."

"There will be a period of consolidation," adds another knowledgeable western businessman. "They ordered a lot of aircraft in 1993 and are taking delivery in 1994. The rapid expansion in the number of airlines and number of aircraft may have stretched their resources."

Last year, passenger and cargo volume rose a record 25-30 per cent from 1992. This was the highest aviation industry growth rate in the world, compared with 5-6 per cent in industrialised countries. Even with a slowdown, China is still expected to remain the international leader.

In 1993, China bought 12 A300-600 aircraft worth $1.2bn from Airbus Industrie, as well as 28 Boeings from its 737, 757 and 767 series, altogether worth $1.35bn. The new purchases were designed to replace ageing Russian aircraft as the number of new Chinese airliners grew to 35.

With a serious shortage of ground equipment, radar, navigation systems and adequately trained pilots, the infrastructure has not kept pace with the expansion.

This was one key reason for the country's appalling safety record, with at least five known fatal accidents in the last year and a half, killing hundreds of people.

In addition, 10 aircraft were hijacked last year from China to Taiwan, further aggravating security problems and disputes over sovereignty between Beijing and Taipei.

But these were not the only reasons for the poor safety record. As more civilian aircraft fly in narrow corridors allocated by the military, air traffic control capability has also lagged behind. China lacks civilian flight information regions which help guide pilots from one area of the country to another.

"In the US, there are several flight information regions, but within China there isn't such an animal," a western executive says. "After a pilot has left an airport, he is probably not on a civil aviation control radar, although the military is following it."

Problems stemming from the military's continued control over air traffic corridors are compounded by the increasing decentralisation of China's aviation industry. As more independent airlines have been established, they have been increasingly reluctant to give any of their profits to the Civil Aviation Administration of China, the industry's supervisory agency and owner of some of the country's increasingly autonomous airlines.

A 2½-hour flight from Beijing to Guangzhou costs less than $200 one way. By contrast, a flight of similar distance from New York to Chicago costs $400

Without financial clout, analysts say CAAC's ability to compel airlines and airports to improve their radar and ground facilities is limited.

Growth in passenger and cargo traffic this year is also likely to be constrained by the country's moves away from subsidies and towards a market economy. Ticket prices are currently artificially low.

"If they are really going this way, this will free the price," a western businessman says. "If every airline has to cover its cost, they must raise the ticket price."

For example, a two and a half hour flight from Beijing to Guangzhou costs less than $200 one way. In contrast, a flight of a similar distance from New York to Chicago costs about $400.

In addition, Chinese airlines are likely to be hit by foreign exchange fluctuations since the devaluation of the local currency, the renminbi. Businessmen said fares are likely to increase to compensate for the more expensive dollar to repay loans for aircraft purchases.

In an attempt to improve both safety and efficiency, the government has reorganised CAAC. Chen Guangyi, former governor and communist party secretary of China's coastal Fujian province, was appointed CAAC's director general, replacing Zhang Zhuping.

Chen has had no previous background in aviation, although he is an engineer by training. "He has said his mandate is two-fold – to improve safety and make the airlines do quality work serving the public," a western diplomat says. "The State Council wanted a new person to shake up CAAC a little bit and make it more focused on safety."

Chen was also believed to be appointed because as governor of a prosperous coastal province, he could bring his business knowledge to bear on China's cumbersome state-run airlines.

There is speculation that Chen, who has vast business connections across the Taiwan straits, might be able to accelerate the process of starting direct flights to Taiwan and encourage Taiwanese businessmen to invest in China's ailing airline industry.

Chinese authorities have also imposed tougher financial, technical and operational restrictions for new airlines seeking to be established, warning that criminal charges would be pressed against any airline staff if it could be proved they were negligent in their duties in the course of an accident.

China has also agreed to allow the recent opening of a representative office of the US Federal Aviation Authority in Beijing. The FAA's role is to assist the Chinese in helping them develop and integrate their aviation system to meet international safety standards.

An FAA investigation team was called in for the first time late last year to help ascertain the cause of an accident in Urumqi in western Xinjiang province involving a McDonnell Douglas jet.

In another positive move, the military has also agreed to turn control of the vital and heavily travelled air route from Beijing to Guangzhou, the capital of southern Guangdong province, to civilian authorities.

With the country expected to need at least 700 new pilots in the next few years, a number that the main training centre in Chengdu, Sichuan province, cannot turn out, the Chinese are also sending more of their pilots to the west for training. Guangzhou-based China Southern Airlines has even bought part of an Australian flight school to help train its pilots.

At the same time, Airbus Industrie and Boeing are each also considering the possibility of establishing a flight training school for entry level pilots.

Although Chinese officials have publicly welcomed foreign investment in the aviation industry, so far foreigners have seemed reluctant. A recent dispute involving Air China, China Eastern and Evergreen, an American air cargo carrier, provides one explanation why. The Chinese had blocked cargo destined for the US from being loaded onto Evergreen planes in contravention of a bilateral treaty. The dispute was resolved only after pressure from the US government.

But businessmen say the handling of the affair demonstrates that Beijing will protect Chinese aviation interests first, regardless of who may be right.

Lynne Curry

Growth region ready for take-off

Continued from Page 1

liners. Negotiations are at present taking place between Boeing and the Japanese companies over their possible involvement in the new 737 programme.

The Japanese companies have also been approached by the European Airbus consortium over possible collaboration on the development of a next generation superjumbo airliner capable of seating 600 to 800 passengers. The Airbus partners and Boeing are now studying the possibility of jointly developing a superjumbo aircraft which is expected eventually to involve collaboration with Asian manufacturers, especially the big three Japanese companies.

Airbus considers the Asia-Pacific region as "the major world collective force in determining requirements for the future development of even larger aircraft to match growth demand". The European group says that Asia-Pacific airlines accounted for seven out of 10 carriers surveyed by the consortium on the possible development of an advanced technology superjumbo.

The region is also regarded as one of the main markets for a future second generation supersonic airliner to replace Concorde in the next century. Leading aircraft manufacturers have teamed up to study a new future supersonic aircraft which would have double the range of Concorde and carry three times as many passengers.

Although these projects are still very much at an early design stage, the development and production of a superjumbo and a new generation supersonic airliner represent the next big challenges for aerospace technology. Asia-Pacific will not only be the main market for these advanced airliners, but it is also likely to be very closely involved in the development of these ambitious and costly programmes.

Why Hong Kong's new airport plans are running aground

Politics snarls up the tarmac

Hong Kong's plans to build Asia's biggest integrated transport network, complete with showpiece airport and railway link, have run aground over disagreements over how to foot the HK$160bn bill. The levels of borrowing have proved to be a bone of contention between the colony's existing government and China, which will inherit both the airport and its debts.

The latest offer from the Hong Kong government, approved by the executive council on February 1, sees it increasing its equity contribution by HK$15bn (£1.3bn) to HK$60bn. This offer, facilitated by the government's healthy financial position, slashes the amount of debt needed to fund the airport and railway elements of the project to around HK$23bn.

China, which may be obliged to make concessions of its own, has yet to respond to the offer

This comes at the end of a fraught fortnight, with China declaring that legal and financial obligations not approved by Beijing would be invalid after 1997 and claiming breaches by Britain of the Memorandum of Understanding on the project. This showdown was followed by Chinese accusations – denied by London – of secret deals over the financing.

With Sino-British relations already at a low point, the airport is a sitting target for attack. It is also a source of vulnerability for the colony, whose dependence on tourism, trade and servicing China business makes a big, efficient airport far more than just a matter of national pride.

> Virtually every facility at the airport is now at or very close to its capacity limit and there are delays on almost every flight on the ground

The need for a new airport is underscored by the congested existing facility at Kai Tak. With 24.2m passengers a year, it is the world's fourth (some say third) busiest airport and still growing, at 10 per cent last year.

According to Mr Tony Norman, acting airport general manager, virtually every facility is now at or very close to its design capacity limit. The runway is now hosting the current permitted limit of around 28 movements an hour.

Mr Steve Miller, managing director of aviation consultancy Trinity Aviation, says: "There are delays on almost every flight now on the ground. When you get on an aircraft, even though it is ready to go, at least two out of three flights are delayed for 30 minutes or more because of congestion on the ground manoeuvring and also in the air.

"That's going to get worse. There will be massive congestion in Kai Tak."

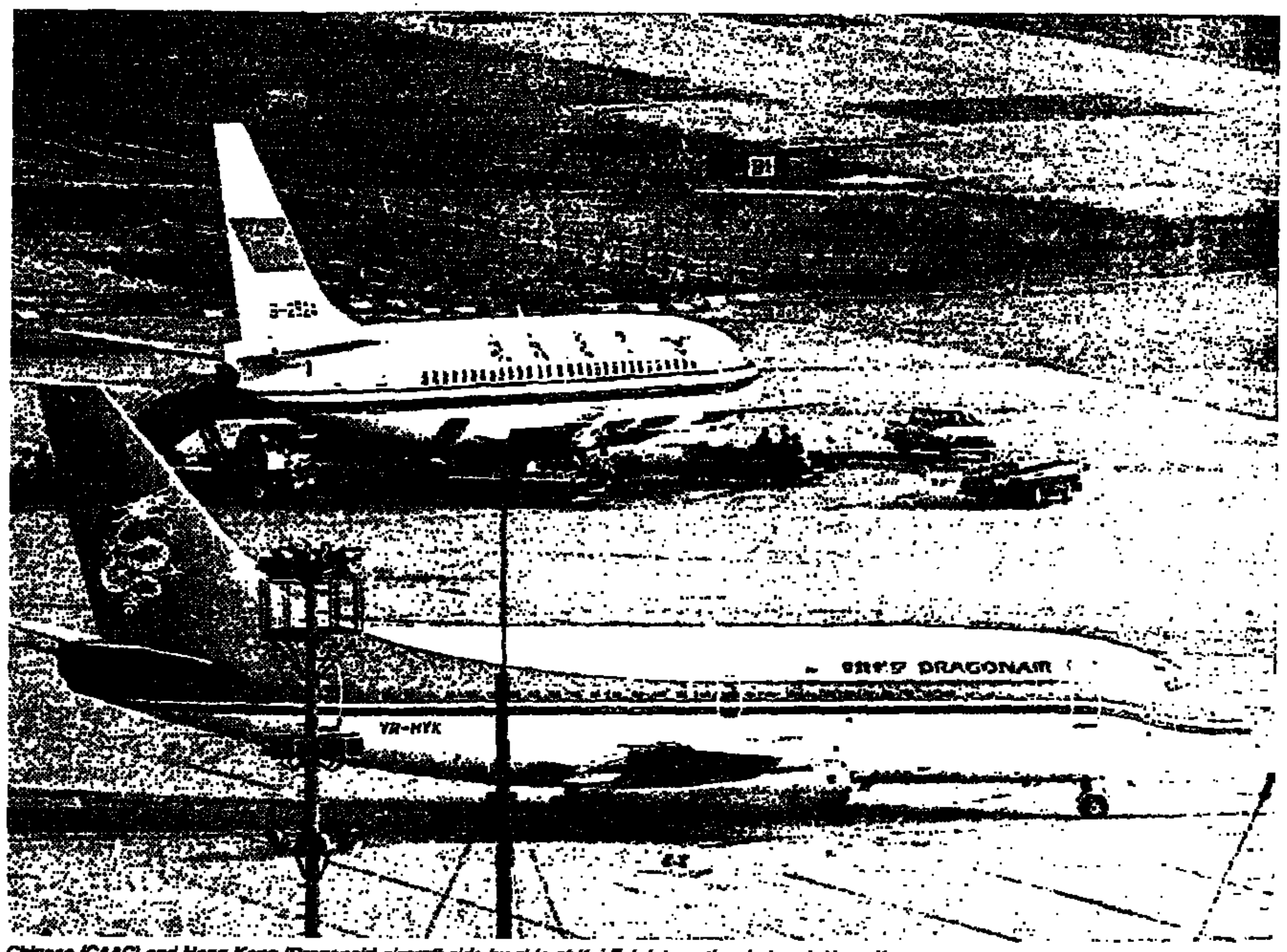
While the diplomats are ferrying offers to and fro, brokering compromises, the delays are expensive both for Hong Kong itself, whose trade-oriented economy is dependent upon efficient cargo points, and for the airline companies. Airlines are squeezed on both sides – inflation and spiralling wage costs are putting the pressure on profit margins and room for expansion is severely curtailed.

"Airline companies are having serious problems. Even in slow times in Hong Kong you can expect to grow at around 5 per cent a year, but there's just not that flexibility at present in Hong Kong," says Mr Murray Bailey, research director at Travel Business Analyst.

Mr Simon Heale, chief operating officer of Dragonair – a carrier co-owned by Cathay Pacific, Swire Pacific and Beijing controlled Citic Pacific specialising in Hong Kong-China routes – says short-haul operators are especially hit as they are unable to utilise night hours for flying.

"As an airport, Kai Tak is run incredibly efficiently, but no doubt it is reaching saturation and it's becoming increasingly difficult to schedule operations so you can make use of incremental aircraft.

"Short-haul operators can run only during the day, so relatively speaking need more take-off and landing slots. But now you cannot go at the times you want – there are just slots at times like 8am, and it's a real problem. We are obviously less efficient which has a cost penalty."



Chinese (CAAC) and Hong Kong (Dragonair) aircraft side by side at Kai Tak International airport, Hong Kong

The political stand-off has prompted the government to proceed on a piecemeal basis: seeking approval for funds from legislators as the need arises. Most recently legislators gave the nod to a HK$1.29bn tranche of funds for the next stage of construction and an additional HK$377m for day-to-day costs.

Chinese officials have repeatedly said that they do not want the post-1997 government to inherit a mountain of debt from the construction of the airport. The latest financing packages proposed for the airport and railway projects follow three others which failed to win China's blessing.

Political wrangling apart, Trinity Aviation's Mr Miller reckons the government must shoulder a fair share of the blame for the outcome: a new airport which has been put back several times and may now not see the light of day until the next century, and a horrifically congested existing facility.

"The government really has to carry the can for this. Chek Lap Kok would not have been built by 1997, anyway. The new airport should have been started 12 to 15 years ago. It was a complete lack of foresight by the government and messing around over a period of 15 years, when hundred of millions of dollars were spent on consultancies to do studies," he says.

Analysts believe the hold-ups could cost Hong Kong both passengers and cargo, with Shenzhen and Macao – whose new airport is due to come on line this year – being the winners. However, a host of practical issues, including visas, access and administration, make the alternative of Shenzhen in particular less feasible: albeit it is closer to Hong Kong than Narita is to Tokyo.

Aircraft maintenance company Hong Kong Aircraft Engineering says the delay has had the effect of curtailing its expansion – indirectly hitting its business by keeping a ceiling on the number of flights coming in and going out – but the impact is not that significant.

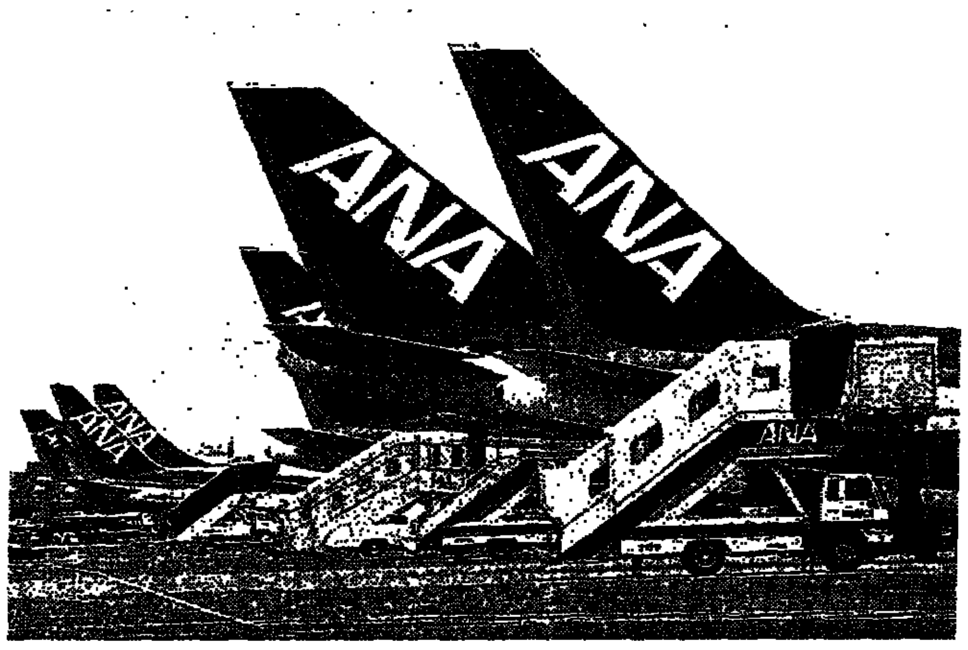
The government has so far awarded 36 contracts worth a total of around $32bn. This represents over 78 per cent of the value of government airport core project contracts.

Mr Heale says: "If you look at the progress to date, most major contracts have been let so far on time and most of those contracts are on schedule or already ahead of schedule.

"So the key thing is the major contracts still to be let: the terminal itself, the baggage systems which are fundamental to airports, the internal train for moving people and the airport railway.

"My understanding is that it is still theoretically possible to let these first three in the next few months and possibly to get them done by June 30 1997."

Louise Lucas



All Nippon Airways jets on the tarmac at Haneda Airport, Tokyo

William Dawkins on another setback for Japan

Younger brother's wings clipped

Japan's unrealised ambition of creating a world-class aerospace industry has just hit another setback, yet Tokyo's industrial planners are pursuing their target with undimmed enthusiasm.

As soon as Japan's chaotic politics return to normal, the Ministry of International Trade and Industry will ask parliamentary approval to suspend what used to be its main attempt at getting civil airliner manufacturing off the ground.

Miti's decision to freeze a state-funded joint development project for a 150-seater aircraft, code-named YXX and led by Boeing of the US, is a telling illustration of why Japan has failed to fulfil its ambitions – set down in a 25-year-old Miti policy document – of turning aerospace into a pillar of the economy.

The combined turnover of Japan's aircraft industry reached Y893bn (£5.67bn) in 1991, at the latest count by the Society of Japanese Aerospace Companies, which is slightly less than the country's motorcycle production.

Among the constraints are Japan's dependence on foreign aerospace technology, its competitors' desire to keep Japan as no more than a valued subcontractor in the overcrowded world market for civil airliners, and the minuscule government financial support Japan has devoted to aerospace by comparison with the US and Europe.

Boeing precipitated Japan's decision to freeze the YXX by deciding to develop a cheaper alternative, so leaving Japan's three-company consortium, the junior partner, incapable of carrying on independently. The consortium, called the Japan Aircraft Development Corporation (JADC), which includes Mitsubishi Heavy Industries, Fuji Heavy Industries and Kawasaki Heavy Industries, has neither the technology, nor the marketing clout to go it alone.

This is not the first time Japanese aerospace aspirations have been frustrated by reliance on US technology. It recalls the late 1980s battle over the joint development of the FSX fighter – due to come into production for the Japanese air force in 1996 or 1997 – in which both sides haggled over transferring technology which might have been useful for civil aviation.

So Miti plans to withdraw its backing, from April, for the eight Japanese engineers on the YXX project and to concentrate instead on a smaller, Japanese-led civil airliner, to be made with foreign partners, hopefully from the US, Asia and Europe. Code-named the YSX, this is planned to be a 70 to 80 seat short-range carrier, to come into service at the end of this decade or early in the next one.

A small project like the YSX, suitable for sale to regional airlines in the US and Asia, is Japan's only chance of taking a leading role in a commercial aircraft, industry experts believe. Bigger ideas are beyond its reach. "The YSX will definitely be realised. It is the essence of our civil aircraft policy from now on," says a defiant Mr Toshifumi Hirai, director of Miti's aircraft and ordnance division.

> "We are in a marathon race and our objective is to keep the backs of the first two runners in sight"

One possible snag is that the members of the JADC industrial consortium, which has just finished a Miti-funded feasibility study into the YSX, are believed to be less enthusiastic about the next phase than Miti's planners. Miti wants the YSX to have a Japanese engine, but the companies are unsure whether they can justify the heavy investment, given that Japan is estimated by industry experts to be 20 years behind the US in engine technology.

Miti, however, has placed the highest priority on getting the YSX off the ground. Japan does not want to overtake the US and Europe in aerospace, Mr Hirai stresses. But it does want to earn a place among, or at least only slightly behind, the leaders.

"We are in a marathon race and our objective is to be able to keep the backs of the first two runners in sight, but not overtake them. Lately, they have been running too fast for us," says Mr Hirai.

Other constraints on the Japanese aerospace industry include the small size of its domestic market, its heavy dependence on imports – where Japan Airlines prides itself on being the largest private sector buyer of US equipment of any kind – and its negligible exports.

Four-fifths of Japanese aerospace companies' annual sales go to the military, a higher proportion and hence greater temptation to marketing complacency than is the case with European and US competitors. Moreover, the air force is small and defence exports are legally banned, features of Japan's pacifist constitution.

All this has made it impossible for Japanese aerospace companies to build up the costly international marketing and technical maintenance networks that international airline customers require.

That is why Japan's only two post-war home grown civil aircraft, the YS-11, a 64-seat twin propeller airliner, and the Asuka, short take-off and landing aircraft were commercial flops. "Technically, the YS-11 was excellent, but foreign airlines just didn't have the confidence to buy it. The lesson for Miti was: never go it alone," says Mr Paul Rubin, secretariat of the US Aviation Industry Association in Japan.

The YS-11, a Japanese design – with 80 per cent imported parts – started to roll off the production lines in the early 1960s, but only 182 were sold. The Asuka managed a test flight four years ago but had so few potential customers that it never went into production.

Yet where Japan did learn the lesson of the YS-11, and seek foreign co-operation, it typically ended up as a junior partner with limited access to technology. It has, for example, a respected record as a supplier to Europe and the US, producing around 20 per cent of the parts for the Boeing 767-300 and 40 per cent of the 747 jumbo airframes. Yet these are generally medium technology parts, such as wing [illegible] and lavatory modules.

"The US has always wanted the Japanese aerospace industry to be a good younger brother. They don't want us to be an elder brother," complains Miti's Mr Hirai. But, as the US aviation association's Mr Rubin points out: "Nobody goes into joint development of any kind and gives away more than they have to."

Ambitious plans proved lofty talk, writes **a correspondent in Taipei**

Taiwan's dreams set to come down to earth with a bump

Distinguishing fact from fantasy has proven to be a dubious exercise when it comes to Taiwan's ambitions to develop a domestic aerospace industry, as several prospective foreign partners have discovered to their chagrin. But following several years of lofty talk and the ignominious collapse of two deals, the government appears to be charting a more pragmatic approach to aerospace development.

As a key component of a broader strategy to propel Taiwan into the ranks of the industrialised nations, the Nationalist government aimed to create a comprehensive world-class aerospace industry virtually from scratch in a matter of years – a feat which has long eluded neighbouring economic powerhouses such as Japan and South Korea.

> Creating a world-class industry from scratch is a feat which has long eluded neighbouring economic powerhouses Japan and South Korea

The plan was to leapfrog intermediate development stages, such as manufacturing of parts, by using the promise of cash to entice international aerospace companies to build entire aircraft in Taiwan, in the process transferring technology and managerial know-how. Also on the agenda were plans to design and build satellites. Now, those visions stand in disarray and aerospace policy is under review.

Taiwan Aerospace Corp, set up in 1991 with 29 per cent of financing coming from state coffers and the remainder from the private sector, was to be the government's designated vehicle for launching a local aerospace industry. But TAC, bedevilled by troubles ranging from internecine squabbles to recalcitrant shareholders, as yet has not a single deal to its credit.

A US$2bn plan to take a 40 per cent stake in the passenger jet division of McDonnell Douglas, the US aircraft manufacturer, dissolved in failure in 1992. Then a 50-50 joint venture with British Aerospace to build regional jets, with start-up costs of some US$400m to be borne by the Taiwan side, foundered last year amid financing difficulties and attacks from Taiwanese lawmakers.

Both sides insist that the BAe deal remains on the table. "We're still negotiating with British Aerospace and we hope we can reach a bottom line very soon," says Mr George Liu, TAC's vice president. But observers gauge the chances of success as remote.

It is unclear precisely what will emerge when the revamped aerospace strategy is unveiled later this year. Mr Jack Tang, deputy director of the cabinet-level Committee for Aviation and Space Industry Development, insists that the original direction will not change. "We are only going to insert some new policies, and resolve some problems with the existing policy," he says, declining to elaborate.

It appears timely that planners will refocus efforts on the more plausible and less capital-intensive strategy of developing Taiwan as a regional hub for aircraft maintenance and parts manufacturing. The economics ministry's industrial development bureau is conducting a feasibility study for the plan which may be completed by the end of the year, according to Yin Chi-ming, bureau director-general.

Early indications are that emphasis will shift from attempting to launch from scratch a civilian aircraft manufacturing industry to building on Taiwan's existing military aerospace capacity. In this vein, the economics and defence ministries in January decided in principle to open the military aircraft maintenance business to the private sector.

As the military's own facilities are insufficient to meet current aircraft repair and maintenance needs, more sophisticated maintenance work must be done overseas at great expense. Detailed regulations governing the maintenance business are expected to be issued shortly in what is hoped will prove a boon for local machinery, electronics and aerospace-related manufacturers.

Taiwan's acquisitive military currently has nearly 1,000 jet fighters and other types of aircraft, including the A-1 Ching-Kuo IDF (indigenous defence fighter), developed locally with design assistance from Lockheed, the US defence contractor. It has also contracted to buy 150 F-16 fighter jets from Lockheed, which bought the fighter division from General Dynamics, and 60 Mirage 2000-5 jets from France's Dassault Aviation.

> The aerospace industry development programme has been fraught with personality conflicts and a political vendetta from the start

The economics ministry last month announced that Lockheed would invest $610m to set up a regional base in Taiwan for parts production and maintenance. The ministry has asked Lockheed to establish a facility for comprehensive repairs of F-16s, involving technology transfer and personnel training, in what would be the finest such centre outside the US.

In addition, Lockheed and Taiwan are jointly to produce a range of technologically advanced aerospace items, according to the ministry. All told, the centre is to generate annual returns of over $1bn in maintenance services and $600m worth of products by the year 2000.

According to the bureau director-general, Saab of Sweden has also decided to establish its Asia-Pacific aircraft maintenance centre in Taiwan. It will be located in the central city of Taichung, where the government plans to build a 100-hectare aerospace industrial park.

The government continues to seek overseas partners jointly to build complete aircraft. Chiang Pin-kung, the economics minister, has said Taiwan is pursuing a co-operative arrangement with Indonesia's government-run PT Industrial Pesawat Tervang Nusantara to assemble medium-range passenger jets with Spain's Casa.

Nevertheless, this was denied last month by the Indonesian side, while TAC's Mr Liu said there was no firm plan for such an initiative. However, the economics ministry has indicated that the TAC will no longer serve as the government's vehicle in aerospace co-operation deals; instead, the defence ministry's aerospace development centre will act in that capacity.

The government's aerospace industry development programme has been fraught with personality conflicts and a political vendetta from the start. At the moment it is unclear which government agency is spearheading the effort, or the exact role played by each of the various entities involved. Inter-departmental co-ordination appears to be ad hoc at best.

Taiwan's increasingly assertive opposition parties, ever suspicious of the ruling party's motives, are prepared to oppose any deal cooked up in secret by government officials requiring large sums of taxpayers' money. Such was the fate of the McDonnell Douglas deal and the BAe venture.

Meanwhile, leading private industrial groups, which the government views as pivotal to realising its aims, have been less than eager to fork out cash for big-ticket endeavours which will not yield immediate returns. Thus, it is likely that Taiwan's aerospace ambitions will be scaled back to more modest and realistic proportions.

An Airbus A310 in the colours of Royal Nepal Airlines

Turnover is growing faster than that of manufacturing in general

How Australia can soar

Aerospace is not an industry associated in large measure with Australia. Yet scratch at the surface and, as one industry player puts it, "there is rather more than you might think".

On the aircraft industry front, local revenues amounted to A$1.2bn (about £580m) in 1990, and the sector employed some 14,600 people. Neither figure looks sizeable in the global context. Even in the Australian setting, the sales figure compared with total manufacturing revenues of A$166bn in the same year.

But turnover in the Australian aircraft business did grow quite healthily during the 1980s, with real sales advancing at an annual rate of around 4 per cent, according to a recent Bureau of Industry Economics study. This was a significant notch above that of the manufacturing sector generally.

Whether that happy situation can persist in the face of the rapid growth in aircraft manufacturing within the Asian region, and the loss of some government assistance, is more debatable. Some commentators, including the authors of the BIE report, see at least some temporary benefits to Australia from the Asian surge, but warn that the competitive environment may not bode well for the long term.

In reality, the aircraft sector in Australia breaks down into two parts.

First, there is manufacturing. The country houses a handful of medium-sized companies which are involved in making aircraft components, systems and the like for the big US and European producers. These businesses, in turn, are supported by a raft of smaller local specialist suppliers.

Among the larger Australian component companies, two stand out. The first is Hawker de Havilland is now owned by BTR Nylex, which in turn is part of the British BTR group; the other is AeroSpace Technologies of Australia (Asta). The latter business was born out of the former Government Aircraft Factories, being constituted a government business enterprise in 1986. Asta remains wholly-owned by the government, but is widely thought to be on its privatisation list.

It is generally acknowledged that the existence of this modest component manufacturing sector is the result of indirect government assistance. Until 1990, Australia's aircraft manufacturing sector benefited from the civil and defence offsets programmes – which demanded that overseas suppliers of aircraft place a certain amount of work with local manufacturers.

Four years ago, however, the civil offsets programme was halted for new contracts and, although defence offsets continue to operate, there has been some relaxation of their conditions. As a result, Australian manufacturers are being forced into a more competitive stance. Where this will leave the sector is unclear: the optimists suggest that, with sufficient emphasis on research and development, the local producers may yet carve out niche roles; the pessimists suggest that the future could be tough.

> **The optimists suggest that, with sufficient emphasis on research and development, the local producers may yet carve out niche roles; the pessimists suggest that the future could be tough**

The second, and slightly larger, element to the local aircraft industry centres on maintenance work, training, and the general provision of aircraft services. Both HDH and Asta have a foot in this camp – in addition to their manufacturing roles – and much of the work is centred around the two domestic carriers (Qantas and Ansett) and the nation's defence forces.

Nevertheless, the general growth in the Asia-Pacific region has created some new opportunities. Last year, for example, the Singapore air force located its training facilities in Western Australia. This is expected to generate around A$23m-worth of infrastructure building – hangars, tarmac and so on. Australian personnel are also due to replace the Singaporean maintenance labour in the few years' time, creating valuable jobs.

Australia's space industry, meanwhile, is in a similarly equivocal position. During the 1960s and 1970s, the nation played a fairly significant role in the evolving space technology. Its Woomera Rocket Range, in South Australia, became a base for UK and European launch activity, and Australia proudly claimed to be the third nation to launch a satellite from its home territory.

However, much ot the financial support emanated from Europe, and when the UK began to reduce its space effort and the European launch capability moved to French Guiana, the Australian role diminished.

Today, the country's space involvement is by no means extinct: the Australian Space Office, for example, manages the Tidbinbilla Space Tracking Station, outside Canberra, for Nasa. The notion of re-creating a local launch industry – either at Woomera or in Cape York – has also circulated. But the industry receives only minimal amounts of local funding, and there has been much debate over what Australia's priorities in this field should be.

An expert panel in 1992 suggested a pragmatic approach – targeting future applications of satellite-based mobile communications, increased utilisation of earth observation data and a continued focus on collecting such data, and development of the supersonic compulsion Ramjet work led by Professor Stalker but "with a view to fostering international collaboration".

More recently, the country formally established the Australian Space Council, in an effort to bring a more consistent approach to space-related work and prevent efforts being fragmented between universities, federal and state governments, and the private sector. The first task of this body, only formally legislated into existence earlier this month, will be to deliver a five-year plan. The document is currently said to be in draft.

Nikki Tait

■ MALAYSIA

Starting small, aiming high

Ten years ago Malaysia started its own car manufacturing industry. The critics said the plan was too ambitious. Yet today the home-produced Proton has a 70 per cent share of the domestic market and exports, particularly to Britain, have expanded rapidly.

Now Malaysia, buoyed by the success of an economy which has grown at more than 8 per cent in each of the past six years, is taking steps to develop its own aerospace industry. The beginnings are modest – initially, Malaysia plans to manufacture two small two-seaters and a 14-seater amphibious aircraft. But Malaysia has big ambitions.

"These are undoubtedly small beginnings," said Dr Mahathir Mohamad, Malaysia's prime minister, in a speech opening Malaysia's international maritime and aerospace exhibition on the island of Langkawi in early December.

"But then, the US entered the aerospace industry with the Kitty Hawk . . . in a century's time we may have our Boeing and McDonnell Douglas counterpart, God willing. A beginning has to be made and three small aircraft make a good beginning, modest though they may be."

The three aircraft will be produced in collaboration with foreign companies. Last year, Malaysia took control of the Eagle Aircraft company of Australia, which produces the Eagle X-TS two-seater. There are now plans to manufacture it entirely in Malaysia.

The Swiss designed Datwyler MD3-160, also a two-seater, will be produced under a joint venture with the Malaysian state-controlled company, SME Aerospace. The third project – production of the Dornier Seastar amphibious aircraft – is a joint venture between various Malaysian companies and Dornier of Germany. Production of the Seastar is due to start at a factory in Penang next year.

> **Malaysia is keen to lower the costs of aircraft through offset agreements and also wants to learn the technology involved. Its aerospace companies are gearing up to take advantage of opportunities made available through defence purchases**

Malaysia already has a substantial aerospace maintenance and overhaul industry. Malaysia Airlines, the national carrier, has rapidly developed the facilities and expertise for high-grade services on a wide range of aircraft.

Airod, formerly the Royal Malaysian Air Force aircraft repair and overhaul depot, was partially privatised in the mid-1980s and, in a joint venture with Lockheed of the US, now leads Malaysia's push into the aerospace industry. From having one hangar in 1985, Airod now has five, including a clear span wide body hangar that can accommodate two B747s at one time.

The bulk of Airod's business at present is concerned with the Lockheed C130 transport aircraft for which it has the main regional servicing contract. Airod now wants to carry out more commercial work and has already won a sizeable amount of servicing and maintenance work from regional and international carriers.

But Airod's main focus is likely to stay on defence for some time to come. In recent years Malaysia has been increasing its military spending. Last year it placed orders for 18 MiG-29s from Russia and eight F/A-18Ds from McDonnell Douglas of the US. Previous to that, it bought 28 Hawk jets from British Aerospace.

All of these sales included substantial "offset" agreements, guaranteeing that part of the work involved in the manufacture and maintenance of the fighter planes is undertaken in Malaysia.

Malaysia is not only keen to lower the costs of such aircraft through the offset agreements. More importantly, it wants to learn the technology involved. Malaysia's aerospace and high technology companies are now gearing up to take advantage of the opportunities made available through the defence purchases.

For example, Airod is expected to service and maintain the airframes and engines of the MiG-29s, helped by a team of Russian technicians who will be stationed in Malaysia.

Meanwhile Sapura, a diversified Malaysian conglomerate involved mainly in the telecommunications industry, is likely to be trained to handle the maintenance and overhauling of the MiG cockpit avionics.

The Malaysian government sees involvement in aerospace as a way to increase the country's overall industrial capabilities, particularly in areas of high technology. Recently, Dr Mahathir announced an all-out drive to promote the industry and said a special aerospace industry park would be set up on the island of Langkawi.

Mr Najib Tun Razak, Malaysia's defence minister, says Malaysia has calculated what steps are necessary to attain a viable aerospace industry. "We have to learn the basics first and not just follow blindly . . . we aim to develop a viable and high technology aerospace industry to meet Malaysia's needs and also be a part of the world aerospace sector," says Mr Najib.

Kieran Cooke

Michael Donne on the need for a region-wide air traffic development plan

Growth that must be measured

Air traffic to, from and within the Asia-Pacific region is expected to double from its present level to reach nearly 200m passengers a year by the end of this decade, and double again to nearly 400m by 2010, representing average annual growth of around 8.5 per cent, against the expected figure of some 5.9 per cent for the rest of the world.

As a result, pressures for big improvements in aviation infrastructure – airports (including runways, terminals and access), local air traffic control, en route long-range navigation aids, and improved voice and data communications between air and ground – are already intensifying.

The International Air Transport Association has warned that failure to provide adequate infrastructure could have a detrimental effect on the entire region's economic and social development which is largely dependent on flourishing air transport and tourist industries.

The anticipated growth will mean not only more passengers moving through airports, with all that entails for more and larger facilities, and improved surface access, but also a big rise in the number of aircraft movements both on the ground and along the air routes as flight frequencies increase, even allowing for the use of bigger aircraft with increased seating densities.

While the growth in passenger traffic and aircraft numbers inexorably continues, Iata is consistently targeting governments throughout the region to ensure that they are fully aware of the problems ahead.

The increase in individual airlines' fleet sizes will be enormous. Forecasts by the Boeing Commercial Airplane Group, the world's biggest builder of jets, show that up to 2010, out of a world total requirement of some 12,000 new jetliners, worth about \$815bn – of which 75 per cent will be needed for growth and 25 per cent to replace ageing or environmentally unacceptable aircraft – more than 3,000 aircraft, worth about \$245bn, will be needed in the broad Asia-Pacific region, which will constitute about half the world's jetliner market outside the US itself.

Boeing says: "Asia's robust air travel market is driven by – and in turn drives – the region's economy. In 1992, Asia generated about a quarter of the world's gross domestic product. That will increase to nearly 30 per cent by 2010. Over the past two decades, economic growth in Asia has more than doubled, averaging 5.2 per cent a year, compared with a 3 per cent growth rate for the rest of the world."

Excluding the US, the rest of the world's top 10 airliner-buying countries in the period to 2010 will include five Asian nations, with the others being Canada and in western Europe, according to Boeing.

Japan is expected to buy more than 600 jet airliners, worth about \$60bn (in 1993 dollars), to meet an annual traffic growth rate of 9.2 per cent. China should also be on the acquisition path for some 800 aircraft worth \$40bn, to meet a 14.7 per cent growth rate. Other big buyers will be South Korea (\$22bn), Australia (\$19bn) and Singapore (\$18bn). Traffic growth rates in Malaysia, Thailand and Indonesia will also be high, indicating substantial fleet requirements.

Because of the long distances involved in air links between many countries in the region, and with the rest of the world, much of the present ordering is concentrated on the new generation of wide-bodied medium and long-range jetliners.

About half of the Boeing 747 long-range jets ordered outside the UK to date is accounted for by Asian airlines, while such airlines are also prominent in the order books for the new Airbus A-330 medium-range jet and the long-range A-340.

Coping with growth on the ground is already a headache. And the increase in traffic means that some of the new facilities that are planned could be congested as soon as they start to operate

Coping with the growth on the ground is already a headache. Iata points out that Bombay, Seoul and Tokyo-Narita airports, for example, have severe passenger handling problems, while Bangkok, Hong Kong, Sydney, Osaka and Narita suffer from runway and apron constraints.

Construction and expansion are planned or under way at all these locations – the new Kansai airport on an artificial island in Osaka Bay, the new Chek Lap Kok at Lantau island in Hong Kong, and for Kuala Lumpur in Malaysia, for example, with new airports on the way for Bangkok, Bombay and Seoul, and new runways and terminals planned for Narita and Sydney. But Iata has warned that because of intervening traffic growth, some of these new facilities are likely to be congested almost as soon as they are operational.

At the same time, there will be significant increases in local traffic within the region as many countries expand their aviation activities – many new local airports are already under construction or being planned in China, for example, where its fleet will be dominated by short-to-medium range jets.

These developments in turn are already generating the need for the introduction throughout the region of new, up-to-date systems of air traffic control in congested air spaces around big airports, as well as for the latest satellite-based Fans (future air navigation systems).

The latter in various forms are now in an advanced stage of development by the world commercial aviation community for both local air traffic control and long-range air navigation. The International Civil Aviation Organisation – the aviation technical agency of the UN, Iata itself, Inmarsat (the international satellite organisation), national governments, civil aviation authorities, airlines, the avionics industry and national telecommunications authorities are involved in a concerted operation to perfect the technical and regulatory aspects of such satellite-based systems.

The introduction of such systems is inevitable – successful trials have already been conducted – and the overall concept has been described as a revolution in civil aviation as far-reaching as the original introduction of the jet engine.

But Iata also stresses that all the new, expanded and improved facilities – airports, air traffic control and air navigation – must be introduced in a coherent and orderly fashion.

"Unless multinational planning becomes a feature of the Asia-Pacific region, then aviation growth and wealth creation will be restricted while congestion and delays will grow to at least European proportions," says Iata.

Mr John Meredith, its senior director of corporate communications, who has been running the international air transport action group aimed at achieving global improvements in aviation infrastructure facilities, believes that the best way of achieving this coherent approach is through the medium of a major conference of all the Asia-Pacific transport ministers.

Until a region-wide aviation development plan is conceived, infrastructural expansion throughout the Asia-Pacific will continue to be piecemeal, patchy and possibly even inadequate to meet the expected growth in air traffic over the next century.

Kieran Cooke considers the challenges that Singapore faces

Keeping ahead of the game

Singapore's aerospace sector is facing challenges familiar to most sections of the island republic's industry. The aerospace sector has built up expertise in a number of areas and now serves as one of the key aircraft overhaul and maintenance centres in the Asia Pacific region.

But surrounding countries are constantly nibbling away at Singapore's competitiveness: Malaysia, Indonesia and Thailand are rapidly expanding their own aerospace industries. Those countries pay wages that are substantially lower than those in Singapore.

Singapore's answer is to become increasingly specialised – and make its aerospace industry ever more efficient.

The industry grew out of the island republic's policy of aiming for greater self-sufficiency in the military sector. In the mid-1970s it was solely concerned with the maintenance and repair of military aircraft. Defence-related work still forms an important part of the industry.

Over the years, international aerospace and industry-related companies have decided to set up facilities in Singapore. The island republic has become an increasingly important hub for international airline traffic: within the Asia Pacific region Singapore handles about 14 per cent of aircraft traffic from Europe and nearly 8 per cent of that from North America.

Foreign companies have also been attracted by the facilities offered by Changi airport, which is consistently rated as one of the best airports in the world both for passenger and cargo traffic. More than 18m passengers and nearly 700,000 tonnes of cargo pass through Changi every year. A second terminal opened at the airport in 1989 and a third is due to be ready by the turn of the century. A fourth terminal is in the initial planning stages.

"Singapore still has the edge over other centres. But other countries are catching up fast"

Perhaps most importantly for the aerospace industry, Changi has more direct city links within the Asia Pacific region than other airports. "Having an up-to-date facility like Changi, with the best regional links, means we can get aircraft in and out fast," says a Singapore-based aerospace executive. "Singapore has overcome its land constraints and still has the edge over other centres. But other countries are catching up fast."

More than 50 companies are now involved in the aerospace industry in Singapore. According to the government's Economic Development Board (EDB), the aerospace sector grew by 6.2 per cent last year with a total output of S\$1.25bn (\$800m).

Mr Png Cheong Boon, the EDB's senior officer monitoring the aerospace industry, says the outlook for this year is still uncertain owing to the depressed state of the world-wide aerospace industry.

"However, the booming Asia-Pacific region will hold the key to future growth in the world aerospace industry over the next few years," says Mr Png.

More than 90 per cent of the island republic's aerospace industry is devoted to repair and maintenance. As in many sectors of the Singapore economy, the industry is dominated, in terms of output and employment, by government-linked companies. The biggest company in the sector is Singapore Aerospace which, with more than 3,000 employees, ranks as one of the main players in aircraft maintenance in the Asia Pacific region.

Major work undertaken in Singapore ranges from complete "nose jobs" on 747s to maintenance of some US air force fighter engines. But the emphasis is tending towards the more high-tech sectors of the industry. In 1992 the industry attracted investments of S\$116m. According to the EDB, industry investments rose 29 per cent to S\$150m last year.

Recent investments include a US\$30m landing gear repair and overhaul facility by Dowty and an overhaul facility for flight and fuel control systems by Lucas Aerospace. Meanwhile Turbine Overhaul Services, a joint venture between state-controlled Singapore Technologies and United Technologies/Pratt & Whitney of the US, has been expanding its facility for upgrading aircraft jet engine turbine blades and vanes.

While manufacturing is only a small segment of Singapore's aerospace industry, the island republic has scored some notable successes in winning contracts to manufacture aircraft parts. For example, Airbus A320 cabin doors are manufactured in Singapore, as are A340 engine mounts and Boeing 777 landing gear doors. But labour shortages and space constraints mean that Singapore is unlikely to go into full-scale aircraft manufacturing.

While Singapore has plenty of trained engineers and technicians compared with other countries in the region, job hopping is more prevalent as skilled workers seek better wages and conditions.

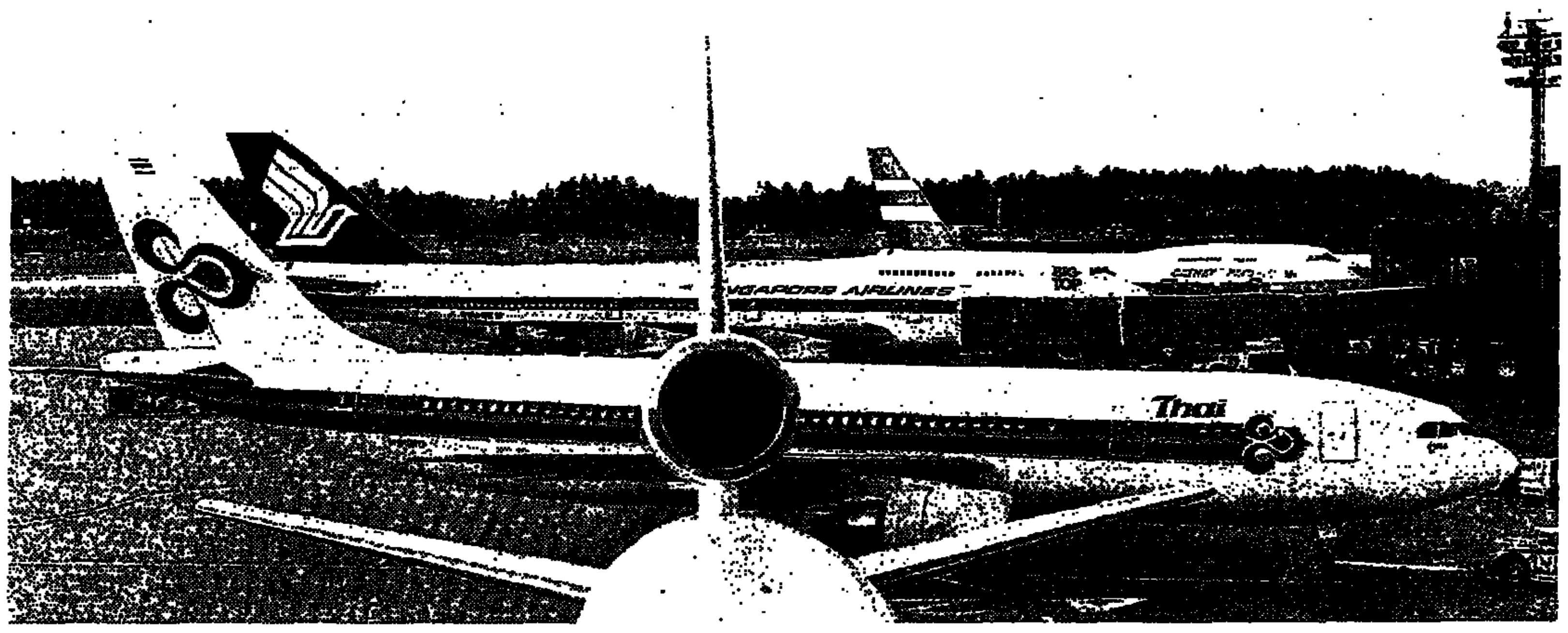
Airline companies and manufacturers, seeking to cut costs in the midst of an industry recession, are considering other regional sites where wages are lower. As always, Singapore is trying to stay one step ahead of the game.

In time, the island republic's aerospace industry is likely to go regional in order to take advantage of easier labour conditions and industry opportunities overseas.

Late last year Singapore Engineering, the wholly-owned subsidiary of SIA, said it would take a 10 per cent stake in a \$63m aircraft maintenance and repair facility being built in Xiamen in China. Wages in China are at least two-thirds lower than in Singapore. And Singapore sees the venture as an important opening into China's fast-expanding aircraft maintenance industry.

Smiths Industries has opened a service centre at Loyang Changi, Singapore, for the whole of the Pacific region

ASIAN AEROSPACE 6



The terminal area of Tokyo's Narita Airport

Glyn Genin

Kieran Cooke looks at the performance and prospects of the region's airlines

Worldwide chill reaches eastern parts

First, the good news. The Asia Pacific region continues to be the world's fastest expanding market both for aircraft passengers and for aircraft sales.

The International Air Transport Association predicts that passenger numbers in the region will double between now and 2000. By then, the Asia Pacific will account for nearly 40 per cent of worldwide passenger traffic. By 2010 that figure will be more than 50 per cent.

In south-east Asia, passenger traffic is growing by about 8 per cent a year – compared with under 4 per cent in Europe and 5 per cent in North America.

On the sales side, Boeing predicts that at present rates of regional expansion, the Asia Pacific will surpass the US as the largest market for aircraft deliveries by early next century. Boeing says that of a total of 12,000 commercial aircraft needed over the next 18 years to accommodate growth and replace older aircraft, more than 30 per cent – valued at $245bn – will be delivered to airlines in the Asia Pacific.

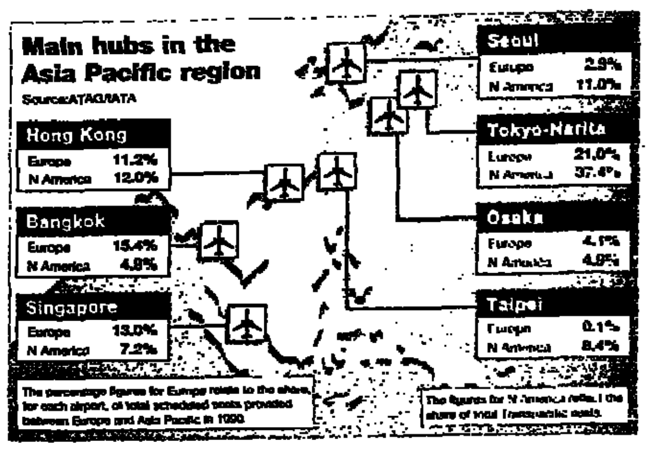
But behind all the rosy growth statistics is another story. While many regional carriers continue to outperform their counterparts in Europe and the US, 1993 was the year when the Asia Pacific was belatedly caught up in the chill of the worldwide industry recession.

Profits sagged or disappeared: Cathay Pacific reported a 46 per cent fall in interim earnings last year. Malaysia Airlines' interim profit last year fell by 96 per cent, even though turnover rose by 4 per cent. Singapore Airlines (SIA), consistently one of the world's most profitable carriers, reported halfway profits last year down 15 per cent though, again, turnover had gone up by more than 10 per cent.

All three carriers blamed recession in many markets and intense competition, plus adverse currency factors, for the profits slump. "Considering the performance of the competition, we did not do too badly," says Mr Cheong Choong Kong, SIA's managing director.

Many regional carriers have been forced to cut back or reschedule aircraft deliveries. Thai Airways, Philippine Airlines, Garuda and Malaysia Airlines have all deferred or cancelled aircraft deliveries.

Increased competition from carriers outside the region has hurt many regional airlines. Faced with tough conditions at home, carriers from the US and to a lesser extent from Europe have zeroed in on the lucrative Asia market. Asia's bigger carriers have also been hurt by competition from the region's new airlines, such as Eva in Taiwan and Asiana in South Korea.



The region's big carriers have responded by unveiling frequent flyer programmes and improving levels of service. Passengers who have long complained that Asia has some of the most expensive air routes in the world are relieved to find carriers undercutting ticket costs.

The region's carriers face other problems. Airport facilities in the Asia Pacific have not kept pace with the massive growth in passenger traffic. On some routes, passengers spend as much time getting to and from the airport as in the air.

Several countries are now either expanding existing airport facilities, or building entirely new complexes. Airports are either being expanded or built at Tokyo and Osaka in Japan and at Seoul in South Korea. Hong Kong still hopes to have its new airport open by 1997. In Malaysia, work has started on a new airport outside Kuala Lumpur. In Thailand the existing Bangkok facility has been expanded and a new airport is being planned.

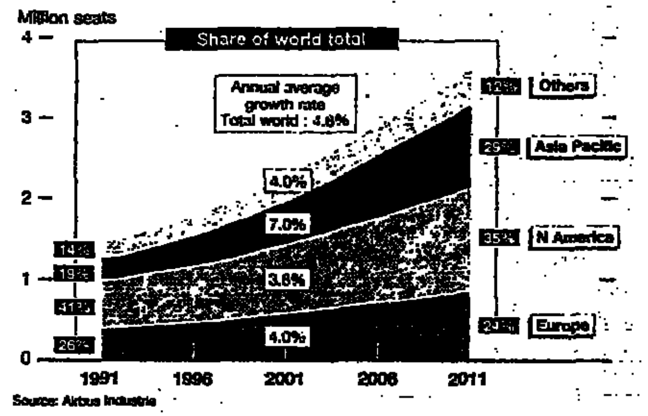
But in the meantime, more congestion – and more frustration among passengers – is likely. Iata says only two of the main air traffic "hubs" in the region – Taipei and Singapore – now have the facilities to cope with expected passenger growth.

Other obstacles lay in the path of the region's expansion. There is an urgent need for Asia Pacific governments to standardise aerospace regulations and co-ordinate traffic control systems.

And from the point of view of the region's carriers there is a constant need to seek cost-cutting measures. As the region's economies grow and people become more affluent, wages rise and cost advantages vis-a-vis carriers in the US and Europe will start to be eroded. Some carriers such as Cathay and SIA are further hit by rapidly escalating land costs.

These two airlines have recently responded to the problems by moving some back office operations to more low cost centres overseas – Cathay to China and SIA to India.

Growth in number of passenger seats



Source: Airbus Industrie

■ INDONESIA

The high tech way ahead

Paul Betts and Kieran Cooke look at the region's only aircraft manufacturer

Indonesia, at present the only manufacturer of aircraft in south-east Asia, is multiplying its efforts to secure partnerships and collaboration with western aerospace groups to develop its growing indigenous aircraft industry.

Industri Pesawat Terbang Nusantara (IPTN), at its giant complex in Bandung on the island of Java, already produces the CN235 transport aircraft in co-operation with Casa of Spain. It is also a licensed assembler of a wide range of helicopters and is involved in several manufacturing programmes with western companies, mainly associated with offset deals on sales of commercial and military aircraft to Indonesia.

The most recent example of the country's aerospace ambitions was an agreement signed at the end of last year with British Aerospace to co-operate in the development and manufacture of regional turboprop aircraft. At the same time, BAe is also considering establishing an assembly facility in Indonesia for Hawk trainer-fighter aircraft if Indonesia were to buy more Hawks. Last summer Indonesia ordered £500m worth of Hawks, becoming BAe's second biggest overseas military export market after Saudi Arabia.

The aircraft co-operation deal with BAe coincided with an agreement between Rover, the BAe subsidiary recently sold to BMW, and Indonesia to develop a national car project to design, develop and manufacture a small car for production in Indonesia.

Co-operation between Indonesia and the UK group could also eventually extend to the regional jet business. BAe has so far failed to negotiate a regional jet joint venture with Taiwan Aerospace and has been looking for possible alternative partners for these activities, including IPTN, although the main thrust of aerospace co-operation with Indonesia is currently focused on turboprops.

To some, IPTN is a considerable achievement, an example of Indonesia's determination to leapfrog its way into the field of high technology and become a fully industrialised country. But IPTN also has its critics, who say it is a expensive enterprise which does little to promote overall development.

Mr Bacharuddin Habible, founder of IPTN and Indonesia's minister of research and technology, has no doubts. "We have to be in a position to master, understand, develop and control all the technologies in aerospace ... this is only possible if the man who plans it knows exactly what he wants. I am a man who knows exactly what he wants."

IPTN was established in 1976. In 1983 the first CN235 was rolled out of the Bandung plant. Since 1989 IPTN has been planning the larger CN250, which will be the first commercial aircraft to be designed and built entirely in Indonesia.

At first, the CN250 was to be a 50-seater aircraft. In the middle of last year Mr Habibie announced IPTN would go straight into production of a stretched 70-seat version of the aircraft. The first CN250 is due to be rolled out of the Bandung plant later this year with deliveries, mainly to Indonesian internal airlines, starting in early 1997.

The ultimate aim, says Mr Habibie, is to produce a range of commuter aircraft ranging from 20-seaters to 130-seaters and make IPTN into "the Toyota of aerospace".

IPTN plans to spend $250m to expand the Bandung complex to cope with nearly 170 commitments and options it has received for the CN250.

Mr Habibie's critics say that despite the many millions of dollars spent on building up IPTN, very few linkages have been made between its high tech work and the rest of the Indonesian manufacturing sector. There is also concern about the lack of transparency in IPTN's accounts.

However, Mr Habibie says that within Indonesia alone there will be a substantial market for IPTN's aircraft over the coming years. With revenues from oil and gas exports falling, Mr Habibie says the only way Indonesia can maintain a trade surplus is to develop technological manufacturing capability.

"If my country concentrates on low tech products and imports high tech products we will face a problem," he says.

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MALTA

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Friday February 18 1994

Islands start to talk big

Buoyant growth has led the Maltese to embark on ambitious *infrastructural projects* and seek membership of the European Union. But they may be kept waiting at the door, writes **Robert Graham**

The Maltese can be forgiven for being a trifle smug these days.

When much of Europe remains depressed by recession, Malta enjoys buoyant growth and low unemployment. After seven years' annual average growth of 5 per cent, the *Maltese* boast a per capita income higher than that of Greece and Portugal, and throughout the islands there is a pervasive air of genteel prosperity.

The shops in Republic Street, Valletta, have smartened up. The stock of ageing Bedford buses gleams with highly polished chrome. Even the old red British telephone booths have been given a new coat of paint.

The Phoenicia Hotel, long the central meeting point in Valletta, has reopened after refurbishment with an extra floor. The airport boasts a large new terminal and there are now direct flights to such distant destinations as Dubai and Montevideo. During the weekend, nearby *Sliema is* snarled up with late-night traffic jams as crowds flock to the sea-front bars and discos.

Businessmen are beginning to talk big. The most ambitious project is the LM150m development of Manoel Island, the sprawling tongue of land with a marina and dilapidated fortifications on the other side of Grand Harbour. Attempts to develop this magnificent site have been in the air for ages but for the first time a scheme stands a chance of getting off the ground.

Another sign of the times is the decision by the government to obtain an international credit rating for the Republic of Malta. Mr John Dalli, the finance minister, discussed the matter last month in the US with both Moody's and Standard and Poor's, the ratings agencies.

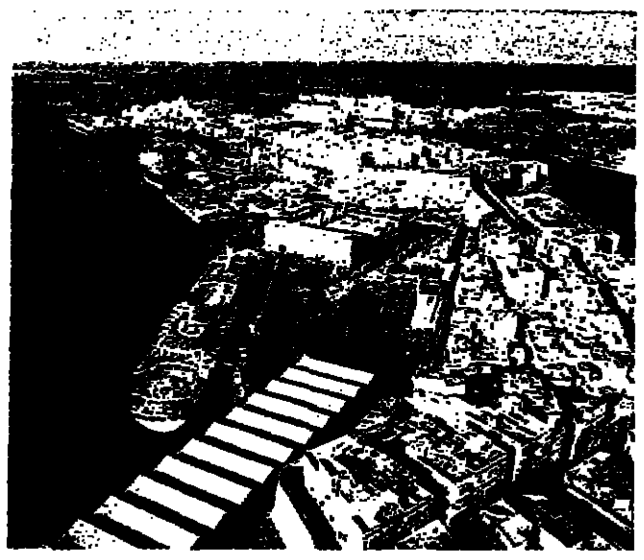
"The Maltese at last have a smile back on their faces," says Mr Maurice Mizzi, one of the islands' leading businessmen.

By this, he means that Malta has put behind it the grey period of the 1970s and early 1980s, when the government of Mr Dom Mintoff, then Labour prime minister, dabbled in socialist rhetoric and courted a place in the third world. In contrast to the days when Mr Mintoff fostered close ties, air connections with Libya have been cut because of the United Nations Lockerbie embargo and relations are at best correct, with an unresolved dispute over territorial waters.

With the cold war buried, Malta is now looking firmly towards Europe and seeking full membership of the European Union. Already fiscal *reforms are in hand and* VAT will be introduced next year. The Nationalist government of Mr Eddie Fenech Adami is also committed to meeting Brussels' economic convergence criteria, which *will* involve a shake-up of long-standing protectionist practices and a reduction in the overblown public sector.

Mr Fenech Adami has moved cautiously but always with a clear vision about Malta's future. He wants to see Malta make the best of its strategic location in the Mediterranean and achieve international credibility as a full partner of the EU. His central idea for sustaining economic growth and future prosperity is the development of Malta as a financial services centre.

The premier believes tourism, the traditional cash mainstay, is close to reaching saturation point and alternative sources of income and employment have to be found. The three islands now host over 1m visitors a year. Even if the authorities were willing to see more space on the cramped islands covered by concrete, this would almost be counterproductive in terms of attracting more tourists.



The Grand Harbour, Valletta: an ambitious scheme to develop Manoel Island, opposite it, now stands a chance of getting under way

There are also infrastructural limits to the islands' welcoming more people – not least the question of water. Already 25 per cent of electricity is generated to produce water. Furthermore, the population density is high, with 1,130 inhabitants per square kilometre.

Tourist policy can move in only one direction: the industry must lessen its dependence on the traditional "fish-and-chips" end of the market and attract higher spending brackets. Only in this way can the current LM200m earned from tourism, almost a quarter of GDP, be boosted without a substantial increase in overall numbers.

Equally, there are clear limits to Malta's manufacturing base. The authorities do not wish to compete in manufacturing as a low wage economy; but it is not easy to obtain added value when so many raw and semi-finished materials are imported. The islands' size, plus constraints of space, also limit the scale of industrial operations. As it is, the export-oriented electronic components and textiles manufacturing will have to fight hard to survive. The famous dockyards, despite their strategic location in the Mediterranean, are struggling to stay competitive.

Maltese industry will thus be lucky to sustain its quarter-share of employment in the future. Last year's slight rise in unemployment to 4.2 per cent of the workforce, or 5,800 people, was primarily due to job losses in this sector. Indeed, the impressive average growth rates since the late 1980s mask a slowing down in the past two years – precisely because both manufacturing and tourism have been affected by recession in Europe.

The present government is ideologically disinclined to force-feed growth through deficit spending. Even so, the public sector deficit has been discreetly rising. That the deficit has remained below 4 per cent of GDP is due in good measure to generous funding from Italy. Under the terms of the third financial protocol with Italy, Rome will have provided LM35m in grants and almost another LM10m in loans during the period 1992-94.

This Italian assistance has covered nearly a third of the budget deficit. Although a fresh protocol is under negotiation, *the Italians* are unlikely to be so generous in the future. Such deals reflected the largesse of the now discredited Andreotti era. Thus, it is questionable whether the Nationalist government will be able to sustain the current levels of spending without either cuts in the public sector or raising new taxes – or raising the borrowing requirement.

If the state payroll is pruned, even more pressure is placed on the services sector as the main source of future jobs. Last year, for the first time, employment in services overtook that of private direct production. The government believes some 6,000 jobs can be created over the next five years following the establishment of the Malta International Business Authority.

Legislation is due to be approved by parliament next month. It will establish the regulatory framework and fiscal regime to transform the modest *four-year-old Malta Finan*cial Services Centre into a fully developed financial centre.

The prime minister and his advisers are convinced Malta can create a niche for itself as a small but reputable financial centre. "A good reputation is vital," says Mr Fenech Adami. On conservative estimates, financial services could account for 10 per cent of GDP within five years.

Thus, much rides on the success of the plan, not least the fate of graduate employment. University enrolment has been boosted so that the Maltese economy can take advantage of upgraded educational levels. If the job potential from financial services fails to materialise, there will be a lot of disgruntled graduates.

The other central pillar of the government's strategy is to secure membership of the EU. The *avis* (legal opinion) on Malta's application issued by Brussels last October was encouraging. *It recognised Mal*ta's European vocation and accepted the need to send a "positive" signal to the Maltese, indicating the EU's willingness to negotiate.

However, Brussels made it clear that many major reforms would be needed – from cutting state subsidies to removing protective tariffs and ending monopolies. Because of Malta's size, these do not pose insurmountable problems. The real problem is that the EU itself cannot seriously address Maltese membership until the broader institutional issues of enlargement are settled among existing Union countries. In crude terms, Malta risks being kept waiting at the door.

Under these circumstances, Mr Fenech Adami will need to produce positive results from the accession negotiations. The degree of progress could well turn into a controversial issue at the next elections, scheduled for 1997.

The Labour party remains critical of the idea of membership; and if joining the EU promises limited extra aid flows, places jobs at risk and exposes many small Maltese companies to the fierce winds of competition, then membership may not be such a popular option.

MALTA : KEY FACTS

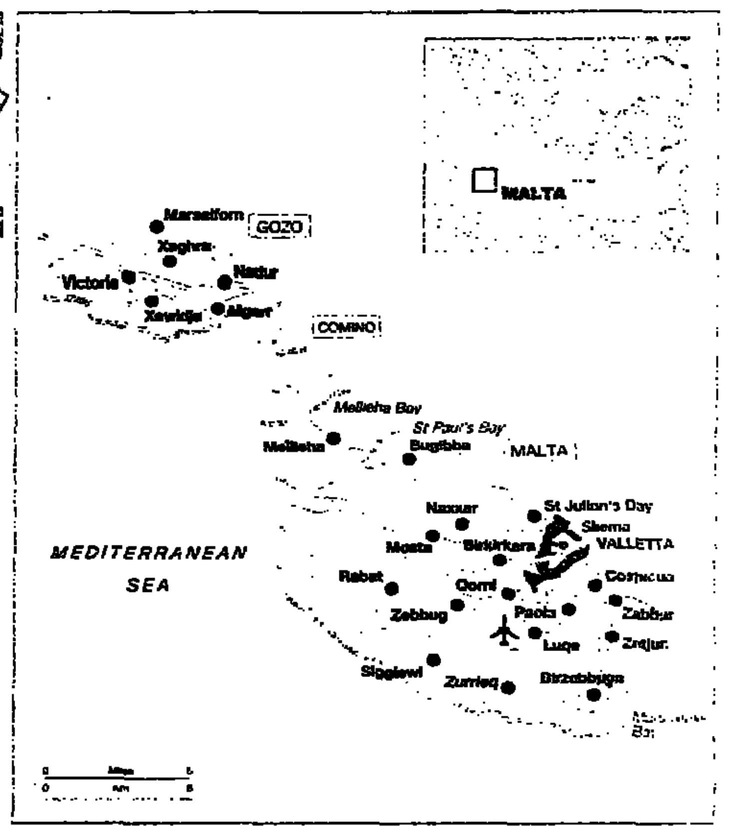
Area .... 316 sq km
Population .... 362,000 (1993 estimate)
Head of state ... President Victor Tabone
Currency .... Maltese lira (Lm)
Exchange rate (average) ....1992: Lm1=$3.1462
....1993: Lm1=$2.6289

ECONOMY

	1992	1993[1]
Total GDP ($ bn)	2.7	n.a.
Real GDP growth (%)	4.7	4.0
GDP per capita ($)	7,431	n.a.
Components of GDP (%)		
Private consumption	60.6	
Public consumption	18.8	
Total investment	27.4	n.a.
Exports	92.2	
Imports	-99.3	
Consumer prices (% change pa)	1.6	3.0
Unemployment (% of labour force)	3.9	n.a.
Tourist arrivals (000s)	1,002	1,005
Reserves minus gold ($m)	1,268	1,391
Discount rate (% pa, year end)	5.5	5.5
Current account balance ($m)	57.6	60.0
Exports ($m)	1,544	n.a.
Imports ($m)	2,101	n.a.
Trade balance ($m)	-557	
Total external debt ($m)	640[2]	
Main trading partners (1992,% by value)	Exports	Imports
Italy	39.6	44.2
Germany	15.8	10.9
France	8.9	9.3
UK	5.9	12.7

[1] = EIU estimates except reserves (Oct 1993) [2] = 1991 estimate

Sources: IMF, Datastream, Economist Intelligence Unit



Godfrey Grima on prospects for the economy

Back from the giddy heights

Malta's tiny economy is no longer generating wealth at a spectacular rate. Gone are the giddy heights to which economic growth spiralled in the wake of Dr Eddie Fenech Adami's electoral victory over the Socialists in 1987. Gone are the two-digit growth rates.

The relatively large government spending programme has run its course. Slowdown measures to stop the economy from overheating included a 10 per cent devaluation in 1992. Even so, Mr John Dalli, the island's finance minister, expects Malta to net a 4 per cent GDP increase this year, a bold prediction given the depressed worldwide economic climate.

Malta's star has been rising for several years. Even as other European economies have lurched in the grip of a seemingly endless recession, the islands, as recently as 1992, netted an 8 per cent increase on GNP. Gross profits rose and average take-home pay climbed to Lm54.41.

Malta owes its economic performance to two competitively priced activities: tourism and light manufacturing industry. Both provide the Maltese with more cash, jobs and development opportunities than ever before. Last year 1m tourists – with Britons the biggest contingent – holidayed in Malta, spending up to September a total of a Lm173.6m, which is Lm40m more than in the 1992 comparative period.

With tourism booming, the island's national airline, Air Malta, whose fleet of 12 Boeings flies to 29 destinations, placed a $100m order in January for another four aircraft from Avro International Aerospace, the UK company. Mr Joseph Tabone, Air Malta chairman, says: "The task ahead is to upgrade our tourism."

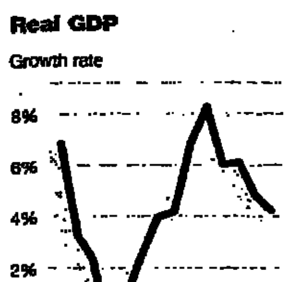
"We are no longer marketing cheap labour. There has been a steady process of upgrading human resources"

Subsidies to British tour operators from the central bank in the form of favourable forward buying exchange rates to help fill up some of Malta's 40,000 holiday beds were drastically cut in the summer.

Industrial development is another smart card through which Malta has increased prosperity. Mr Dalli says: "We are no longer marketing cheap labour. There has been a steady process of upgrading human resources to fit our new agenda. We have, for example, opened our university to some 5,000 students."

There are now about 300 companies on industrial estates, employing 29,200 people, which last year shipped Lm366.4m worth of semi manufactures, an increase of 1.6 per cent over the previous year's figure, mostly to European clients.

Factories on a specially designed technopark built recently for electronics companies have all been taken up. "Investment goes to countries that are successful, where the industrial and political climates are stable and friendly. Once we join the European Union investments will increase further," Mr Dalli argues.



Source: Malta EU Directorate

However, ship-repairing – one of Malta's oldest trades – and shipbuilding are currently going through a difficult patch. Mr Albert Mizzi, one of Malta's leading entrepreneurs who ran Air Malta for almost 20 years, says shipbuilding on its own will never be profitable. Some 200 people working in shipbuilding may soon be absorbed by the freeport corporation which sees a profitable future in building wharfside cranes. "The island's future lies in service industry. Maltese exporters need levies and trade barriers to be lifted before they can show their true mettle," says Mr Mizzi who started out in life as an importer.

By spearheading a relatively hefty spending programme, the Fenech Adami administration has turned round a sluggish economy bequeathed by the Socialists into one that consistently yields encouraging results: since coming to power it has created 11,000 jobs, pushing the number of those gainfully occupied to 134,052. Several infrastructural projects have came on stream, including a power plant, an airport terminal, completion of the freeport terminal, road networks and state-of-the-art telecommunications facilities. All of this has been achieved while keeping the budget deficit at below 3 per cent of GNP.

"In 1987 we had 25,000 people waiting for telephones. We are now heading towards putting the service on demand. You can't begin to attract investments and fulfil your social obligations unless you have modern telecommunication facilities in place," says Dr Frances Zammit Dimech, Malta's transport and telecommunications minister.

Signs of sustained prosperity are not too hard to find. The Maltese save, on average, 15 per cent of their income. There is as much as Lm347m in circulation, almost Lm1,000 for every man, woman and child.

Investment opportunities tend to have a magnetic pull on the Maltese. One guesstimate puts Maltese private reserves abroad, mostly in Britain, at Lm2bn. The relatively small markets that are beginning to appear at home have proved popular. A government decision to reduce its shareholding in Bank of Valletta and Mid-Med Bank led to 18,000 people snapping up the shares.

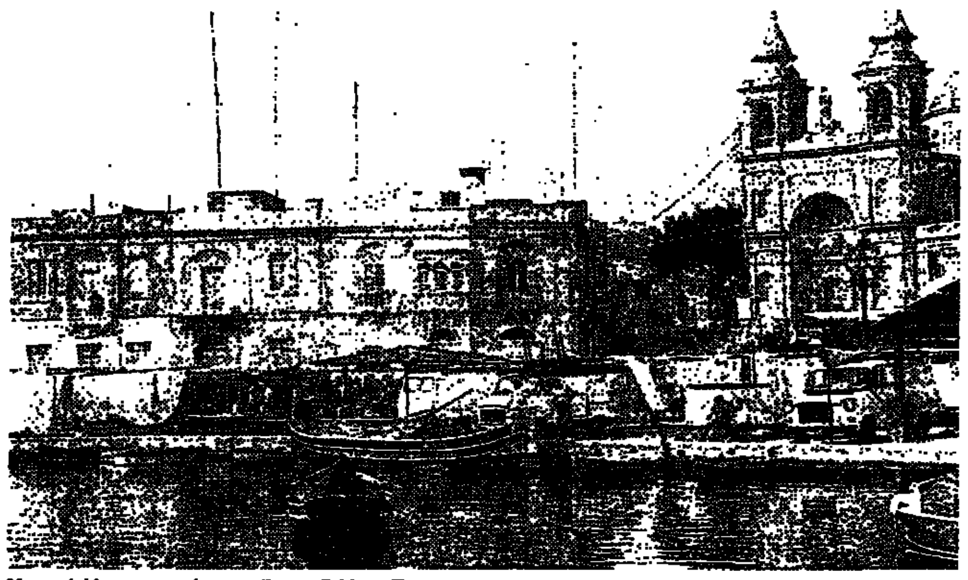
But the leading investment vehicle remains property, a key industry temporarily dampened by the imposition of a capital gains tax.

An atavistic preference for brick and mortar probably explains Malta's excellent rating among the best housed countries in Europe. Meanwhile, Maltese commercial banks offer added investment openings by matching and often improving on yields offered abroad. Bank of Valletta and Mid-Med Bank, the island's two major commercial institutions currently woo investors with a 7 per cent yield on sterling time deposits. With exchange controls due to be lifted, Malta's relatively limited currency and securities markets will need to maintain their high yields to stop capital from taking flight.

Banks form relationships "that transcend the nationality of a partner. What everyone wants is profits"

Praiseworthy as Malta's recent economic achievements might appear, the wellbeing of several economic activities, particularly those run by the private sector, still depend heavily on the fortunes of the national economy. This, basically, explains the government's firm commitment to restructure the foundations of Malta's tiny economy and align its mechanics with those found in the European Union.

As old structures give way to yet untried tools – the Maltese start paying VAT next year – fresh challenges face the administration of Mr Fenech Adami. Increased growth and wealth will in the years to come, need to keep up their pace. The threat is that the quest for a modern welfare society will sow the seeds of social dissent.


Marsaxlokk: now much more than a fishing village — Glyn Genin

Godfrey Grima on the development of the freeport

More hub action gets to Marsaxlokk

Mr Marin Hili, chief executive at Malta's freeport corporation, summons up an impressive list of statistics to drive home Malta's success as a cargo transhipment centre.

The Marsaxlokk terminal is now the third most active hub port in the Mediterranean and ninth in the region's port traffic league. From a mere 7,788 containers handled in 1988, the terminal's throughput had leapt to 288,192 containers last year.

This year 400,000 containers are due to arrive from and leave to north-west Europe, the US, the Mediterranean, the Middle East, the Far East and Asia, a hefty increase in business over last year's figures. In terms of volume the terminal is the world's 65th busiest port.

Even the notion of becoming the leading transhipment harbour in the Mediterranean is not enough to satisfy Mr Hili's ambitions. "This should become a major hub terminal in Europe," he insists. "Everything points in that direction." Judged against the considerable gains that the sprawling customs-free container terminal has made in recent years, the prediction sounds plausible enough.

"The key is to remain efficient and reliable. Depressed international cargo markets made no significant impact on our growth – if anything the recession gave us a chance to compete and time to develop and equip ourselves. When the world's major economies pick up again we shall be in a much stronger position to offer rival ports stiff competition," Mr Hili insists.

For centuries Malta's prosperity has been firmly latched to the fortunes of the world's seafaring nations. Situated at the gateway to the eastern and western Mediterranean and lying half way between Europe and Africa, Malta is one of the world's oldest trading posts.

In developing a container terminal from where cargo could be shipped to its final destination by smaller feeder vessels the Maltese have succeeded in realising a notion that was first mooted by the Knights of Malta in the 16th century. With shipping producers now depending on speed, efficiency and an economy of scale for their profits the idea of a hub operation which is relatively close to volume port destinations makes more sense.

What makes hub ports an attractive proposition are the many logistical gains they offer: there is the advantage of cutting down on port calls; of reducing voyage time; of netting shorter transit times by switching east and west bound services over one port facility; of freeing fleets and providing them with the opportunity to concentrate on profitable voyage legs; of accessing into north European markets via Mediterranean ports and north African markets by using relay services for small volumes. For example, a switch of operations by a Far East–Northern Europe operator to divert cargo through Mediterranean ports to Marsaxlokk would save up to 10 days on each voyage.

The point is not lost on regional and round the world operators who have come to accept the Malta terminal, built at Marsaxlokk, on the island's south coast, as an efficient interface.

Malta's position on the Red Sea – Strait of Gibraltar sea lane axis makes it cost-effective for cargo to be transhipped over Marsaxlokk. Maersk of Denmark, P and O container line of the UK and Sealand, the US shipping company, for example, currently operate a service from the US east coast to the Middle East, transhipping North European bound cargo at Marsaxlokk without diverting their voyages. Bulcon, the Bulgarian shipping line, another regular client, runs a service from Varna, the Bulgarian port in the Black Sea to the Middle East transhipping Europe-bound cargo from Malta.

Big shipping lines also find Malta a profitable base from which to organise their transhipment operations. Norasia, the Swiss line, closed down its Pireaus operations four years ago and came to Malta.

Malta's freeport terminal was conceived and partly built by the socialist administration in the mid-1970s. On taking power in 1987, the Fenech Adami administration set up a freeport corporation headed by Mr Hili, who left the family shipping business. Quayside and stacking areas were upgraded and the quay on terminal one was lengthened and equipped with efficient quayside and landside cranes. As a result, the terminal now accommodates and handles any size of vessel and takes 4,446 container slots.

Several support services were set up to make the terminal increasing autonomous. A permanent training school for freeport employees was established with the transport college of Rotterdam: a marine department provides pilotage and safe navigation, tug boat and mooring services, and keeps harbour traffic under control: another company is in charge of coastal engineering works.

Equally successful has been the setting up of an oil terminal in which Oil Tanking, one of the world's three largest oil storage organisations with facilities in Europe, Houston and Singapore has a majority shareholding. The outfit will this year double its oil storage, bunkering and blending facilities to 175,000 cubic metres. What makes the terminal particularly successful is the fact it is an independent terminal, is based close to international shipping lines and can accept large volumes of liquid cargo.

Financially, the freeport nets Malta an appreciable $20m a year, excluding income from the oil terminal. With cargo traffic in the Mediterranean on the increase, plans have been drawn for a second state-of-the-art terminal whose first phase is expected to be commissioned by 1996. This will double the Marsaxlokk terminal's capacity to 1m containers.

Hub ports offer many logistical gains such as cutting down on port calls and shorter transit times

"The building of a second terminal shows how confident we are in our future. We know the market: it is growing and we're going for it," Mr Hili remarks. His one elusive task remains convincing Japanese lines to start transshipping at Malta. "That's a difficult question to answer. But it is not for lack of trying, he admits.

Malta's container terminal owes its success to several bold and wise decisions. Investment, which in the end are likely to exceed $500m appear to have been timely. Targets seem to be realistic. What also accounts for the terminal's popularity is the long stretch of industrial peace that Malta has enjoyed for decades. Mr Hili is first to admit that the unions' support has helped guarantee that port workers are weaned away from outdated port practices without trouble.

■ FINANCIAL SERVICES

A pivot in the strategy

The development of Malta as an international financial and trading centre is a pivotal element in the Nationalist government's strategy for economic development.

Financial services are seen as an important new source of income and employment, providing a qualitative change in the nature of the services sector of the economy.

Legislation, due to be approved by parliament by the end of March, should provide the necessary framework for expanding the modest financial services structure set up in 1989. According to Mr John Dalli, the finance minister, within five years financial services could account for 10 to 15 per cent of GDP.

This sector could provide some 6,000 more jobs, becoming the single largest outlet for graduate employment. Indeed, the upgrading of the islands' labour skills is specifically tailored to the successful expansion of financial services.

Malta is not the first small island economy to try to seek salvation by developing financial services. If anything, it has come to the idea late in the day when the supply of financial service centres outstrips demand, making success that much tougher.

Mr Dalli has few illusions about the challenge. "We have set ourselves a tall order," he says. However, the Maltese authorities have some important selling points which make them quietly optimistic.

The present government has been slow but extremely methodical in preparing the ground. This applies both to ensuring Malta possesses the right educational levels to meet the demand for professional skills and to laying the essential telecommunications and communications infrastructure.

High priority has been given to expanded university enrolment and improving the nature of the courses available. The university this year has reached a student population of 5,000. Within six years the government has achieved its target of having 20 per cent of school-leavers opt for tertiary education.

Infrastructural development has received a substantial injection of funds. Thus the Malta telecoms authority now has in place state-of-the-art optic fibre and satellite facilities capable of handling the sophisticated telecommunications needs of the financial services business.

Parallel with these developments, the authorities have opted to begin in a modest way. In 1989 the Maltese International Business Authority was set up to supervise and administer fledgling offshore activities. "We were not looking for brass plate operations," says Mr Dalli. "We wanted to establish our reputation as a serious centre, not as a tax haven."

To critics who claim that relatively few international companies have used this Maltese facility, he replies that Malta has been very careful in vetting entries. During the past five years, the MIBA has registered 1,300 companies. However, no fewer than 5,000 applications have been rejected.

During this period, the MIBA also registered three onshore banks, three insurance companies and 28 trusts; while 50 nominee companies have been granted warrants to service offshore companies.

The 1988 white paper on International Business Activities stated that the ultimate aim was virtually to eliminate the distinction between onshore and offshore activities and be fully compatible with EU directives. The government has now hired Peat Marwick, the international accountants, as consultant for this new and complex phase.

"We wanted to establish a reputation as a serious centre, not a tax haven"

The preparatory activity is over and legislation is now before parliament to transform the MIBA into the Malta Financial Services Centre. The MFSC will have the functions of the single financial services regulator for investment business and insurance. By adopting a "one-stop-shop" approach, the investor service should be both more attractive and efficient.

At the same time, the government is harmonising and simplifying its tax legislation, the biggest single fiscal shake-up since independence. A special international unit is being set up in the Inland Revenue to deal with the tax matters of international investors. Among the tax privileges envisaged is special treatment for Maltese-registered holdings in overseas companies.

Other elements of the legislative package underline just how much ground the authorities have had to cover so as to create the right environment for the MFSC. The legislation includes: the recognition of unit trusts governed by foreign tax laws and managed in Malta, in accordance with the Hague Convention on the Recognition of Trusts; a professional secrecy bill; an insider trading bill; an investment services bill; companies and commercial partnerships legislation; and a money laundering bill.

The latter bill boldly states: "In opening its doors to the international financial community, Malta does not want to become a conduit for money derived from drug traffic and other serious crime." The aim is to adopt regulations in line with EU directives. With Malta so close to Sicily and Calabria, the abuse of the system by Italian organised crime is a real threat.

Who then is likely to make use of the MFSC? Mr Dalli believes existing European onshore/offshore centres such as Luxembourg and the Channels Islands are becoming too crowded and expensive, so there is scope to pick up business. Peat Marwick sees Malta as having low-cost advantages relating to wages and property. Property in particular is abundant and is priced below the European norm; while the competitive edge in wage costs is important given Malta's English-based multi-lingualism.

Malta could become an attractive alternative centre for fund administration. It might prove competitive in some labour intensive aspects of banking. The Maltese also hope for some spin-off on the financial services side from existing activity in ship registrations. Malta currently has the world's tenth largest shipping register.

Robert Graham

The industry is trying to go upmarket

Tourism seeks more five-star winners

Malta is becoming increasingly nervous about its success in attracting ever greater numbers of tourists, particularly from the UK.

Though all tourists are welcome, fresh marketing tactics are being developed and refined. While tourism is set to remain the island's predominant industry, the authorities are keen to change Malta's cheap sun and sea image and go more upmarket.

Two specific problems in the pattern of tourism are being addressed. The first is the common phenomenon of the sharp tourist peak in July and August, when the volume of visitors puts a great strain on services, and the second is the continuing over-dependence on the UK for tourists. The latest statistics show that the corrective campaigns are meeting with mixed success.

Mr Michael Soler, chairman of Malta's national tourism organisation, explains: "Our focus has to change as we are going to reach our maximum capacity soon. We will have to manage volume growth of tourists very carefully."

The figures tell the story. There was a slump in tourism in the early to mid 1980s, caused partly by high prices, variable quality and infrastructure problems including water and electricity shortages, and partly by an adverse political climate as the Labour government courted the Libyans and eastern bloc in a determined attempt to stay neutral and non-aligned.

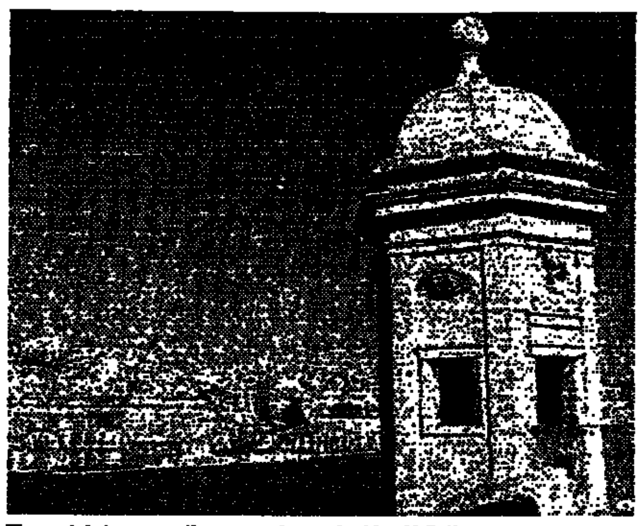
Costs were then pegged, infrastructure improvements launched, and a differential exchange rate introduced for UK tour operators. Tourist numbers rose steadily from 480,000 in 1984 to 746,000 in 1987, 828,000 in 1989 and over 1m in 1992, three years ahead of target.

The upward trend continued last year despite difficult economic conditions in most European markets, and the total reached 1,050,000, an all-time record. But to the consternation of the authorities, arrivals in the peak summer months were over 7 per cent up on the corresponding period of 1992. It was not the trend they wanted.

A more even flow of visitors throughout the year would lessen the strain on services at peak times and create more permanent year-round employment in hotels and the tourist sector. Tourism, by far the largest industry, employs one third of the workforce and accounts for 40 per cent of gross domestic product.

The proposal, therefore, is to attract more visitors in the winter and in the "shoulder" months of spring and autumn, and at the same time to seek tourists who will spend more per head than the package tour visitor staying in a modest hotel or in self-catering accommodation.

"We need to give more attention to our heritage, history, architecture and yachting facilities to cater for the better-off who will spend more in Malta," says Mr Soler. One senses a certain exasperation that the British remain more reluctant than the Germans and Italians to move from the sun-and-sea stage of recreational evolution.



The watch-tower on the ramparts overlooking Valletta *Glyn Genin*

The raw material for development is certainly there. The history and archaeology of Malta and its sister island of Gozo are astonishingly varied but largely undeveloped, probably because attention has been concentrated on the sun and sea volume end of the market. There are open air neolithic temples on Malta and Gozo, and the subterranean temple or hypogeum at Hal Saflieni, which are reputed to be among the oldest architectural monuments in existence.

From later centuries there are many relics left by a succession of conquerors including the Phoenicians, Carthaginians, Romans, Arabs and Normans, leading in 1530 to one of the richest periods in Malta's history, when Emperor Charles V gave the islands to the Knights of St John after they had been driven out of Jerusalem and then Rhodes.

A more even flow of visitors would create more permanent jobs

The Knights of Malta constructed a wealth of fortifications, churches and palaces in their 268-year rule, including Valletta, one of the world's great fortified harbours. It became Malta's capital under the Knights, replacing the wonderful *"silent city"* of Mdina built by the Arabs.

Apart from the attractions of history, other high-spending visitors are being sought in off-peak months with special events including flower festivals, historic pageants, music and jazz festivals, a boat show and power boat racing.

The government has banned the building of new hotels except those in the five-star category because of a surfeit of lower and middle range accommodation, and a big new yacht marina is being constructed. There is also a proposal to transform the run-down Manoel Island in the centre of Valletta's Grand Harbour into a tourist complex featuring hotels, restaurants, possibly another marina, upmarket shops and a theatre.

The tourism industry has proved remarkably resilient during the recession in Malta's chief markets, and despite the pressures caused by the growing numbers of peak season visitors, other aspects of the government's strategy are making progress.

An example is the big emphasis on the UK market which in 1980 provided Malta with over 75 per cent of its tourists. This dependence was considered to be commercially unhealthy, and efforts have been made to attract visitors from other countries, particularly Germany, Italy, France and Scandinavia. These efforts have begun to work.

As the tourist market has expanded, the increase in the number of visitors from the UK has failed to keep pace. As a result, the UK share has been falling slowly but steadily for a number of years with the sole exception of 1992 when the Queen visted Malta to mark the 50th anniversary of the wartime siege. The downward trend should continue as the forward currency rate for British tour operators is phased out next year.

Last year, the UK represented 49 per cent of arrivals compared with 52 per cent in 1992, and arrivals from continental Europe rose sharply, including off-peak months. German tourists increased by 8.5 per cent and now represent 16 per cent of all arrivals, second only to the British. Arrivals from Italy increased by over 12 per cent and should grow quickly following the inauguration of Air Malta *flights to Milan.*

The airline and the national tourist office are to open an office in New York to tap the lucrative US market which could be attracted by the history, climate and universal use of English. However, a big handicap is that there is no direct flight to Malta. One proposal is to link up with a big US airline which would fly tourists to Europe from where Air Malta would complete the journey at preferential rates.

The best news of all for the authorities last year was that the tactic of trying to attract more upmarket tourists appears to be succeeding after a hesitant start. Per capita spending by visitors increased by a healthy 18 per cent, thanks partly to increasing success in the cruise and conferences market, Nevertheless, package tours will continue to be Malta's tourist staple for some time to come.

Richard Evans

Labour faces a hard task after a second defeat, writes **Richard Evans**

All quiet (almost) on the political front

The overwhelming impression of politics in Malta used to be one of confrontation, partisanship and often violence. But a remarkable transformation has taken place in recent years. The tension has gone and party allegiance does not now dominate every issue, however small.

The change began in 1987 when the Nationalist government of Dr Eddie Fenech Adami gained power after 16 years of turbulent rule by the Labour party under the charismatic, abrasive Mr Dom Mintoff and his successor, Dr Carmelo Mifsud Bonnici.

Politics at that time was conducted with the fierce intensity of a family feud, with villages, factories and football teams deeply split by party loyalties.

The Labour era of the 1970s and early 1980s was characterised by a shift in international allegiances. The country that had obtained independence from Britain in 1964 became a republic a decade later. British forces were forced to leave in 1979 after 180 years, and pacts were signed with Libya, the former Soviet Union, China and North Korea.

On the domestic front, policy focused on state enterprise, wage freezes, strict credit regulations and severe import restrictions. It was as tightly controlled an economy as any outside the old Soviet bloc.

Under the Nationalist government, re-elected with an increased majority two years ago, the focus has changed dramatically. A pro-west, pro-European Union membership ticket has proved a vote winner. The economy has been transformed by liberal trade policies and the introduction of a private enterprise culture.

Dr Fenech Adami became Nationalist leader in 1977 when he took over as a relative unknown from Dr George Borg Olivier, the former premier, with the task of reviving the limp fortunes of a demoralised party trounced at the polls twice in five years by Dom Mintoff.

The keynote of his strategy since gaining power has been to reform by stealth, and this has sometimes laid him open to criticism of fudging and blurring issues that need to be faced. But Dr Fenech Adami insists he has to perform a difficult balancing act to change the country's culture, and that to go too fast would be fatal. His softly-softly approach has also puzzled many of his own supporters who were initially longing for the perks that power in Malta traditionally brings.

It has not been an easy political path for Labour, either. After 16 turbulent years in office its image as an ideologically militant socialist party has been hard to shake off. At the last election Dr Mifsud Bonnici failed to reassure the increasingly important bloc of floating voters that Labour would not again unleash the disruptive passions and violence of the past.

Labour reacted to its second defeat by changing its leader and cutting formal links with the trade unions. Dr Alfred Sant, 46, is a writer and intellectual, with a master's degree in physics from Malta and a doctorate in business administration from Harvard. He has also served as a diplomat in Brussels.

He admits his task has not been an easy one. "After two election defeats, morale was bound to dip. We are having to fight back by reviewing all aspects of policy," says Dr Sant in an interview at the party's Senglea headquarters outside Valletta. His attitude is essentially pragmatic.

Eddie Fenech Adami, the prime minister: reforming by stealth *Tony Andrews*

There is an acceptance that the economy has moved forward under the Nationalists, partly through deficit financing, the impressive growth in tourism, and buoyancy in the construction industry, and there is an admission that the liberalisation of imports has worked in the government's favour.

"More jobs have been created in services, and we did not sufficiently appreciate the impact on employment of opening up Malta to more trade," Dr Sant says. However, he questions how permanent the growth in service industry jobs will be and expresses anxiety about the lack of greenfield investments in manufacturing.

His main task is to improve the party's image, which he admits needs refurbishing. "We have deliberately not developed the previous confrontational style, which we think would be politically counter-productive, and we are now formulating policies that would accept the need for competition but would provide mechanisms that would give the individual more rights," he says.

Dr Sant is regarded as an able, practical leader who will not resurrect the old partisan strategies or scare off potential foreign investors and tourists, but he has yet to unite all his party behind him. There is still a considerable "old guard" in the Labour hierarchy who pine for the former days of autocratic power and widespread patronage, and there are signs of a damaging split with the powerful General Workers' Union led by Mr Angelo Fenech.

To Dr Sant's frustration and anger, the union has allowed Mr Lorry Sant, a militant ex-Labour minister suspended from the party four years ago, access to its newspaper's columns. The GWU's decision represents the most public and serious disagreement between party and union since formal links between the two were dissolved after the last election.

There are also tensions between the party and union, and between the union and government, over the cost of living and low wage awards. A series of union protest marches have been held, but it is not clear whether these herald a return to more confrontational policies or are merely shadow-boxing as a new tripartite accord between government, union and employers is discussed.

An issue that is certain to divide the parties over the next few years is entry to the European Union. This is the Nationalist government's core strategy and all legislation is being drafted with membership in view. However, Labour argues that full membership could harm the country's industry and agriculture, and would lead to foreign ownership instead of foreign investment. Labour advocates a free trade area with Europe and maintenance of Malta's policy of political non-alignment.

MALTA 4

The Malta Dry Docks in the Grand Harbour, Valletta — Glyn Genin

European Union application

Could 0.03% impose veto?

If membership of the European Union were solely a question of European pedigree, then Malta would have few problems in joining.

Possessing some of the first significant traces of civilisation from megalithic times and the Norman conquest, Malta has ample European credentials, including the Knights of Malta's valiant defence against the Turks and the islands' heroic role in the second world war.

But this is not enough to ensure an easy passage for Malta as a full member of the EU. The Maltese application is caught up in circumstances largely beyond the islands' – and the Nationalist government's – control.

Through the *avis* of last October, Brussels accepted Malta's "indisputable European calling", and talked of the need to send a "positive signal" to encourage the islands to meet the required criteria for an open market economy. The *avis* envisages no real difficulty for the EU budget. Malta would be a net beneficiary receiving some Ecu60-70m in structural funds and paying in up to Ecu30m a year.

But the *avis* is cautious about timing. Some of Malta's long-standing allies including Britain have warned that the application will depend on institutional reform of the EU and the outcome of enlargement discussions with Austria and the Nordic countries.

The application is likely to move slowly – even if negotiations begin this year. The current Greek presidency of the EU will seek to push matters forward because they see Malta's application linked to that of Cyprus (the Greek side), and the Greeks are anxious that the latter's application should prosper. Both pose similar problems as small islands with limited populations, though in the case of Cyprus there is the complicating factor of the Turkish presence.

The main difficulty that Malta must overcome is the resistance of EU members to extending the current principle of the veto in voting to such small entities. (Malta's GNP is 0.03 per cent of the EU). The Maltese claim a concession on size has already been made in the case of tiny Luxembourg. But of course the Maltese recognise its membership circumstances are different; and the citing of Luxembourg is a form of short-hand for insisting that a way can be found to admit them.

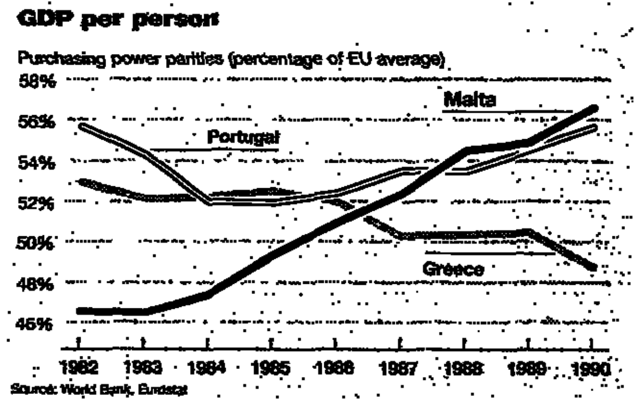
The Nationalist party has been consistently pro-European, in contrast to the Labour party which was responsible for nailing Malta's colours to positive neutrality and the non-aligned movement. Indeed, the amendments in 1987 to the constitution enshrined Malta's neutrality and the policy of non-alignment. Perversely, this occurred at a moment when the concept of non-alignment was fast losing its rationale with the end of the cold war and the collapse of super-power rivalry.

The present government is now willing to subscribe to the common foreign and security policy of the EU. Nevertheless, this will not be easily done without amending the constitution. This would require a three-quarters majority in parliament. And if the constitution is not amended at least notionally this would be incompatible with article five of the Maastricht Treaty.

Malta's existing relations with the EU are governed by an association agreement which came into force in 1971 as a result of a Nationalist party initiative. However, the agreement was never more than partially implemented, having been stalled by the 1971-87 period of Labour party power. It was left to the Nationalists in 1990 to apply for full membership against the backdrop of a Labour party less implacably opposed to a deal with Brussels.

Given the hostility of the Labour party to integration with Europe, the Nationalists had to start virtually from scratch to align economic policy and trading practices. The degree of change required was underlined by the *avis*: "The reforms which imply Malta's adoption of the *acquis communautaire* affect so many different areas (tax, finance, movement of capital, trade protection, competition law, etc) and require so many changes in traditional patterns of behaviour that what is effectively involved is a root-and-branch overhaul of the entire regulatory and operational framework of the Maltese economy."

GDP per person



The *avis* then adds: "These reforms are nevertheless indispensable, not only to spare Malta a transition period that would be so drawn out as to be tantamount to constituting 'special membership' of the Community; but above all to enable its economy to take advantage of all the opportunities provided by accession."

On the fiscal side, draft legislation has been drawn up for the introduction of value added tax in 1995. Until now governments have depended heavily on duties on imported goods; and when customs duties and import levies are both taken into account, the rates of protection are extremely high, on occasions being 100 per cent.

The introduction of VAT and the gradual elimination of import levies will encourage the transition to a fully liberalised market. The government is pledged to do this, regardless of what happens to accession negotiations. As part of developing a financial centre, the government is committed to introduce financial and tax legislation that will be in harmony with the EU this year.

More complex will be the position of Maltese industry which has enjoyed a high degree of protection. The islands' electronics businesses stand to benefit from an opening up of the EU market since their rationale is export-oriented. But the small companies involved in such activities as construction and furniture making, which account for 70 per cent of industrial employment, hide behind stringent tariff and non-tariff barriers.

The sensitive shipbuilding/repairing sector, which provides almost 5 per cent of total employment and a central part of Malta's historic calling in the Mediterranean, is heavily subsidised. To meet competition rules, shipbuilding would require substantial restructuring – something which the government has already initiated, but it is still at an early phase.

On the institutional side, the *avis* notes that Malta through the official use of English would be able to avoid the introduction of another EU language. This is clearly a plus. Against this, it highlights the limited number of senior public officials with sufficient international experience to "play a full part in the decision-making processes of the Community institutions". (Malta's diplomatic corps mans some 15 embassies and consulates worldwide).

Brussels' message to Malta is that these difficulties are not insurmountable. Between now and the inter-governmental conference in 1996 when the issue of enlargement is to be addressed, substantive negotiations are unlikely. Nevertheless, the Maltese can help their case by demonstrating their determination to align themselves with the broad criteria for accession.

This is being done, even in some of the less expected areas. The government seems to have taken to heart criticisms in the *avis* directed against "unsustainable bird hunting" practices. The authorities last month clamped down on the Maltese habit of firing at anything and everything, including rare birds of prey. This led to furious protests from the hunting community, who have carried out a series of spray-can attacks on signposts and the walls of public buildings.

Robert Graham

Richard Evans on the need for new investment

From high volume to to high value

An ambitious strategy is under way to change Malta's image in order to attract a different type of investment to the island.

Manufacturing has always been an important element in the Maltese economy and accounts for over a quarter of national income, but there is a growing need to change from traditional low cost, high volume products such as textiles to high value technology. The process has started and initial results are promising, but progress is inevitably slow.

With a small population of 350,000 and virtually no raw materials, Malta has had problems competing with the expanding, low cost economies of south-east Asia and north Africa on the one hand, and the developed world on the other.

Moreover, the Nationalist government of Dr Eddie Fenech Adami, which gained power in 1987 after 16 years of Labour rule, inherited an economy dominated by the state and a country regarded with suspicion in the west because of its close political and commercial contacts with Libya, the Soviet Union, China and North Korea.

The first priority was to improve the crumbling infrastructure. A big budget deficit over the past few years has enabled the government to overhaul the telecommunications network, build a smart new airport and a power station, and construct desalination plants to combat the chronic shortage of water in the summer.

> Over 200 foreign-owned companies operate in Malta. But there is still a need to develop technical and management skills in the workforce

The programme has been largely completed and the next stage of the industrial strategy is now under way. The plan has two aspects: first, to attract higher skill industries such as electronics, pharmaceuticals, medical products and information technology to take the place of traditional employers including textiles, furniture and footwear, and second, to help the more traditional industries face up to an increasingly competitive future, particularly if Malta succeeds in its aim of joining the European Union.

There is already a competitive package of incentives in place involving a 10-year corporate tax holiday for export oriented companies, no municipal or capital gains taxes, 3 per cent soft loan finance, ready-built factories at subsidised rents and generous training grants.

The strategy has already had some success, as more than 200 foreign-owned companies now operate in Malta, including a big investment by SGS-Thomson in a Franco-Italian joint microelectronics venture employing 1,300, Seleco, the Italian television manufacturers, Dowty, a subsidiary of the TI Group, De La Rue, the security printers, and Baxter, the US medical equipment company.

Micro-electronic assembly at Thomson, a key private sector employer

But more foreign investment and know-how are needed to develop technical and management skills in the island's workforce, which is becoming highly trained with the expansion of university and other courses. A big advantage is that Maltese wage costs are about a third of those in the UK and even less compared with Germany and the US.

The task of marketing the island is the responsibility of the Malta Development Corporation under its chairman, Professor Joe Bannister. He has developed a network of representatives and consultants in key markets in Europe and the US, whose job is to target potential investors and vet them at an early stage so that scarce resources can be concentrated.

The current strategy is based on the gradual enhancement of the existing technical skills base, encouraging the need for higher technology, increased added value and high quality manufactured products.

An important development which is beginning to show signs of success after a slow start is Mosta Technopark, a recently built complex a few miles from Valletta. Four companies are already operating there, including International Business Intelligence, a UK software company. A further 10 projects have been approved, and all 21 units are expected to be filled by the end of the year.

Prof Bannister admits that the task of changing the country's industrial structure has not been easy. "It is a matter of changing attitudes and there is a gap in the island's culture. People still expect companies to bring machines in so that products can be manufactured immediately. But high tech is not like that... it is inevitably a slow process but we are succeeding."

The new industries are particularly important to Malta as virtually all raw materials for conventional manufacturing industries have to be imported with the consequent drain on the balance of payments. In the case of information technology and similar processes, the added value is a big bonus.

A scheme to build a fully fledged science park near the 400-year-old university had to be shelved because of the recession in Europe, but plans are now being dusted off to see if the project can go ahead.

The other aspect of the MDC's work, helping traditional industries, is about to enter a new phase. Some industries are still protected by import levies which would have to go should Malta enter the European Union, and early action needs to be taken to avoid unemployment and cutbacks.

A series of meetings on an industry-by-industry basis is to start next month with the food and beverage sector, followed by furniture manufacturing, to discuss plans to meet the problems posed by the lifting of trade barriers. All vulnerable sectors should have a strategy in place by the end of the year.

Prof Bannister believes that stronger companies should be able to compete in European markets, and others might be able to restructure with the help of foreign partners or the introduction of new technology or new management. "We are getting excellent co-operation from the Federation of Industry and from Metco, the export trade corporation," he says.

> Malta's banks are conservative by nature and still state-controlled. They are not geared to provide seedcorn or venture capital

A further difficulty being tackled is the need for fresh sources of finance. Banks in Malta are still state-controlled, although there are plans to introduce a bigger private sector element. They are also conservative by nature and are not geared to provide seedcorn or venture capital.

A new facility, the Malta Development Fund, was announced last month to pump money into small and medium-sized local companies to help them expand and to compete in Europe. It has been set up jointly by the MDC and Hambro European Ventures and is aiming for a fund of US$10m. Half the money has been pledged by Mid-Med Bank of Malta and the rest is being sought locally.

Mr Jeremy Hand, assistant director of Hambro European Ventures, said at the launch: "We are confident we will be able to invest profitably in Maltese industry. The workforce is educated, efficient and relatively cheap which makes it an attractive area for manufacturing investment."